

CHAPTER 11

FINANCIAL MANAGEMENT STANDARDS AND PROCEDURES FOR AREA AGENCIES ON AGING AND SUBCONTRACTORS

11-1 INTRASTATE FUNDING FORMULA.

- (1) Federal funds received under the Older Americans Act are allocated to each of the nine area agencies on aging as described in the *Rules of Tennessee Commission on Aging* (Chapter 0030-1-10).
- (2) The state appropriations are allocated to each area agency as described in the *Rules of Tennessee Commission on Aging* (Chapter 0030-1-10).

11-2 PROCEDURES FOR FUNDING APPROVED AREA PLANS.

11-2-.01 CONTRACTING PROCEDURES FOR AREA AGENCIES ON AGING.

- (1) Contracting Procedures
 - a. All funds awarded by the State Agency to the area agency will be authorized by a contract between these agencies and approved by the Commissioner of Finance and Administration.
 - b. All funds must be expended according to the terms of the contract.
 - c. Any changes or amendments to the contract between the State Agency and the area agency will not become

effective until approved by the Commissioner of Finance and Administration.

- d. Procedures for the area agency acceptance of the contract are outlined in *Section 5-5-.03* of these policies.

(2) Contracting Responsibilities for Area Agencies

- a. All funds awarded by the Commission for the support of an area plan will be awarded only to the designated area agency.
- b. The area agency is authorized to enter into contracts for the conduct of activities and services under the area plan. The area agency shall, however, be held responsible by the Commission for the conduct of these services and activities according to federal and state policies and regulations. No service or activity can be provided under an area plan without a signed and approved contract.
- c. The area agency shall monitor on an ongoing basis the performance of the contracting agencies under the area plan and shall ensure that funds made available are expended in keeping with the purpose for which they were awarded.

- d. The area agency may enter into contracts only after the area plan has been approved by the State Agency and a Notification of Contract Award issued.
- e. Once a contract has been executed by an area agency to carry out a service or activity under an approved plan, a copy of the signed, written contractual agreement must be forwarded to the State Agency within five working days of the contract date, but no later than thirty (30) days after the effective date of the area plan. This agreement will be made part of the approved area plan and maintained in the central files of the State Agency.
- f. All subcontracts entered into by service providers must be kept on file at the area agency on aging.

11-2-.02 COST SHARING AND MATCHING REQUIREMENTS.

- (1) Federal funds may be used to pay part of the costs of activities and services under an area plan in accordance with the following policies:
 - a. Federal funds may be used to pay up to 75 percent of the costs of activities involved in developing and administering the area plan.
 - b. A statewide area plan administration expenditure level of 10 percent of the Title III services allotment must be reached before any area agency may expend direct services funds for program development and coordination. The determination of availability of direct services funds for program development and coordination will be made by the State Agency during

area plan review.

- c. Federal funds may be used to pay up to 85 percent of the aggregate costs of the supportive and nutrition services activities conducted under the area plan. This matching provision does not have to be made to apply to an individual supportive services activity under the area plan, as long as it does apply to the aggregate costs of supportive services activities. Five percent of the non-federal match comes from state funds.
 - d. All expenditures at the area agency level must be matched at 75 percent federal/25 percent nonfederal, except for program development and coordination provided under approved waiver, which may be matched at 85 percent federal/15 percent nonfederal.
- (2) State appropriations may be used to pay up to 90 percent of the cost of operation of state programs with the exceptions listed below at (3) and (4).
 - (3) State appropriations may be used to pay up to 50 percent of the cost of operation of a multipurpose senior citizens center with the following provisions:
 - a. At least 10 percent of the match must be in cash; and,
 - b. In each succeeding year of funding thereafter, the grantee must make a concerted effort to increase the level of non-state funds used to support the program.
 - (4) State appropriations may be used to fund 100 percent of the Public Guardianship program; however, no more than 25 percent of the operation cost may be from administrative

costs. Any administrative costs exceeding the 25 percent cap amount must be taken from local funds.

- (5) The area agency is ultimately responsible for meeting the nonfederal share of the costs of activities conducted under its area plan. The area agency may utilize cash and/or in-kind resources in order to satisfy these matching requirements, in accordance with the following policies:

- a. All nonfederal resources, both cash and in-kind, to be used to match the federal share of program costs must comply with the cost principles delineated in *Section 11-7* of these policies.

- b. An overmatch in one service under an area plan can offset an undermatch in another service under the plan. Such a rule does not apply, however, between planning/administration activities and service activities (i.e., an overmatch in one cannot compensate for an undermatch in the other).
 - c. Staff employed by the area agency for planning and administration of the area plan are subject to 75 percent federal/25 percent nonfederal matching. Staff employed to implement the action plan for program development may be hired subject to 85 percent federal/10 percent local and five percent state matching ratios. (Note: Although federal fund participation is limited to 75 percent and 85 percent respectively, it may be less.)
- (6) Federal resources authorized under other statutory grant programs may not be used to match Older Americans Act funds except when there is explicit statutory authorization for the use of federal funds to satisfy matching requirements in whole or in part, as for example:
- a. Payments to Indian tribes for products produced under contract with the Bureau of Indian Affairs, Department of the Interior, under *U.S.C.A. Title 25, Section 470*;
 - b. Bureau of Indian Health, Public Health Service contract funds, *U.S.C.A. Title 42, Section 3103*;
 - c. Volunteer services provided through the National Senior Volunteer Corps under the National and Community Service Act, *U.S.C.A. Title 42, Section 12511*;

- d. General revenue sharing funds received by units of local government under *U.S.C.A. Title 31, Section 1221* (see *Title 45 CFR, Section 74.53(a)(2)*; and,
 - e. Appalachian Regional Development Act of 1975 funds awarded to a Council of Governments/Development District under *U.S.C.A. Title 40 App., Section 302*.
- (7) The value of donated goods, services, supplies, space, and equipment may be used as in-kind match for the non-federal share of an Older Americans Act grant or the allowable non-state share of state appropriated funds. Standards applicable to valuation of this match are outlined in *Section 11-7-.07* of these policies.
- (8) Funds available to area agencies under Section 18 of the Urban Mass Transportation Act of 1964, as amended, *U.S.C.A. Title 49, Section 1616*, public transportation programs may be matched with Older Americans Act funds with the following clarification:

- a. Older Americans Act funds used as "soft match" for DOT Section 18 transportation funds under no circumstances lose the statutory or regulatory requirements of the Older Americans Act.
- b. The use of Older Americans Act funds to "match" DOT Section 18 funds in no way alters the Older Americans Act local match requirements.
- c. Local moneys cannot be used to match both DOT Section 18 and Older Americans Act program funds.

11-2-.03 BUDGET YEAR AND PLAN PERIOD FOR AN AWARD.

- (1) Plan Period. The "plan period" is the number of years designated by the State Agency during which the area agency may be granted continuation awards and is a period of time used for budget planning.
- (2) Budget Year. For budget purposes, the plan period will be divided into budget years. Federal funds and state appropriated funds may only be awarded for one budget year, not to exceed twelve months, at one time.
- (3) Beginning Dates.
 - a. The beginning of a plan period is the date on which initiation of the area plan is authorized by the State Agency to begin.

- b. The first budget year will begin on the first day of the plan period.
- (4) Revisions. Once a budget year has been established for an area plan, it may not be changed without prior approval by the State Agency. Such approval will be granted only through the issuance of a revised Notification of Contract Award and revised contract.

11-2-.04 OBLIGATION OF FEDERAL AND STATE FUNDS TO THE AREA AGENCY.

- (1) The approval of the area plan by the State Agency officially obligates funds for such plan for a given fiscal year.
- (2) The State Agency may not officially obligate a fiscal year's funds prior to the beginning of that fiscal year nor after the close of that fiscal year.
- (3) No more than one entire budget year for the area plan will be funded from a single fiscal year's allotment.
- (4) In awarding funds to the area agency, the State Agency makes obligational authority available to the area agency. Such funds are earned only upon the actual accrual of an allowable cost and the contribution of the non-federal share of that cost.

- (5) The Notification of Contract Award sets a ceiling for federal participation in the cost of operating the area plan. The State Agency has no responsibility for payment of funds to an area agency in excess of those awarded through the official Notification of Contract Award.

11-2-.05 CARRY-OVER OF UNEARNED OBLIGATIONAL AUTHORITY.

- (1) Any federal funds obligated, but unearned, by the area agency during the budget year, not to exceed 10%, may be carried over into the subsequent budget year with authorization by the State Agency.
- (2) Any federal funds unobligated by the area agency during the budget year for which they were awarded may remain available to that area agency for earning during the subsequent year only if the Commission so authorizes this on the Notification of Contract Award for the subsequent budget year.
- (3) Any such funds carried over must be earned at the matching ratio applicable to the budget year in which the funds are earned by the area agency.
- (4) Carryover funds must be spent prior to any current year funds.

- (5) Any carryover funds from Area Agency on Aging administration or coordination must be reallocated and spent in direct services.
- (6) A limit shall be established on the amount of Older American Act Fund carryover (including funds both at the area agency and Tennessee Commission on Aging) that an area agency will be allowed to retain at the end of each fiscal year. Effective June 30, 1991, the cap on carryover funds will be 10 percent and on June 30, 1992, the cap will be reduced to 8 percent.
- (7) No funds or in-kind resources, designated for services, regardless of source, may be used to match the area agency on aging administration budget. However, if funds are designated for administrative use, they may be used for match.
- (8) Effective with the area plan year 1991-92 there will be a required cash match for area plan administration. The first year's cash match requirement will be 3 percent of the required local match, increasing in year two to 6 percent and in year three to 10 percent.

**11-2-.06 DURATION OF FEDERAL AND STATE SUPPORT TO AN AREA AGENCY
AND RENEWAL REQUIREMENTS.**

- (1) Awards to area agencies to support area plans will be approved for a maximum of one year.
- (2) In order to apply to the State Agency for subsequent year funding, the area agency will submit to the State Agency an area plan or update in accordance with the application procedures in *Section 5-5-.03* of these policies.
- (3) The State Agency reserves the right to deny continuation funding, or parts thereof, if the State Agency determines that the area agency is not fulfilling its obligations assumed under the area plan.

11-2-.07 PAYMENT OF FUNDS TO AN AREA AGENCY.

- (1) Payment of funds from the State Agency to the area agency for operation of the area plan will be in the form of an advance or reimbursement upon written request by the area agency.
- (2) Advance payment to an area agency will be made on a monthly basis, upon receipt of the invoice for Reimbursement/Advance Form (FA 0813). These requests for funds are reviewed on the 15th of each month. The requests are submitted to Finance and Administration for payment within five days of review.
- (3) Before making payment, the State Agency will evaluate the area agency's cash requirements and cash balance on hand. Requests for advance payments should be limited to the area agency's cash requirements for the month, as opposed to merely requesting 12 equal payments during the budget year.

- (4) All area agencies are encouraged to use minority-owned banks.
- (5) Payments made to the area agency for area plan operations must be deposited in F.D.I.C. covered checking accounts.

11-2-.08 SUPPLEMENTAL AWARDS.

- (1) The State Agency may, at its discretion, award additional federal funds to an area agency for the same budget year, contingent upon the availability of federal funds to the State Agency.
- (2) The State Agency will approve a supplemental grant award through the issuance of a revised Notification of Contract Award.
- (3) A supplement may be awarded to an area agency during a budget year to meet additional costs to be accrued that year or awarded after a budget year has concluded to meet additional costs which were accrued during that budget year.

11-2-.09 PRIORITY SERVICE REQUIREMENT.

- (1) Each area agency must spend an adequate proportion of its Title III-B supportive services allotment, excluding amounts used for administration, for the following categories of services, with at least some funds being spent in each category:
 - a. Services associated with access to other services: transportation, outreach, and information and referral and case management (35%).
 - b. In-home services: homemaker and home health aide, visiting and telephone reassurance, chore maintenance, (10%) supportive services for families of older victims of Alzheimer's disease and, related disorders (10%).
 - c. Legal assistance (2%).
- (2) The State Agency, in approving an area plan or a plan amendment, shall waive the requirement for any category of service for which the area agency demonstrates to the state that the services provided from other sources meet the needs of older persons in the planning and service area for that category of service.

11-2-.10 MAINTENANCE OF EFFORT.

(1) For federal funds:

- a. Each area agency must assure that funds from Older Americans Act are not used to replace funds from nonfederal sources;
- b. Each area agency must agree to continue or initiate efforts to obtain support from private sources and other public organizations for services funded under the Older Americans Act; and,
- c. A statement of assurance that federal funds are not being used to replace local funds will be required on budgets submitted to the State Agency and on contracts between the State Agency and the area agency.

(2) For state funds, the area agency will be required to match these funds as stated in the contract.

11-2-.11 EXPENDITURES IN RURAL AREAS.

(1) An area agency must spend under Older Americans Act in each fiscal year for services to older persons in rural areas at least 105% of the amount spent under Titles III, V, and VII of the Act in rural areas during the federal fiscal year 1978 for social and nutrition services and multipurpose senior centers. If a county's designation is changed from

rural to urban, rural expenditures will no longer be required for that county.

- (2) For purposes of this section, "rural area" means any area outside a Standard Metropolitan Statistical Area (SMSA) as defined by the Department of Commerce. In planning and service areas which are not entirely metropolitan or non-metropolitan under the SMSA definition, the area agency, for purposes of this section, must separately account for expenditures in the SMSA and non-SMSA areas.

11-2-.12 LONG-TERM CARE OMBUDSMAN PROGRAM.

The State Agency shall reserve from the Title III-B allotment an amount it determines to be adequate for conducting an effective ombudsman program to implement the statewide long-term care ombudsman program as set forth in *Section 9-3*. Area agencies on aging must use additional Title III-B funds to implement that portion of the ombudsman program designated as district programs as set forth in *Section 9-4* of this manual and as specified in the Older American Act.

11-3 PROCEDURES FOR FUNDING SERVICE PROVIDERS BY AREA AGENCIES.

11-3-.01 AGENCIES ELIGIBLE TO CONDUCT ACTIVITIES AND SERVICES UNDER THE AREA PLAN ON BEHALF OF THE AREA AGENCY.

- (1) To conduct activities or services on its behalf, the area agency must enter into contracts with public or private non-profit agencies and organizations or with profit-making organizations.
- (2) All area agency contractors who are private agencies must be incorporated in order to safeguard the interests of the State Agency, the area agency, the recipient of the contract award, and the individuals who are participants in the program, unless otherwise approved by the State Agency.
- (3) Area agencies, to the extent feasible, are to enter into contracts for the conduct of activities and services under the area plan with agencies and organizations which are owned and operated by minority individuals at least in proportion to their relative numbers in the planning and service area. A minority provider is a not-for-profit organization whose controlling board is comprised of a least 51 percent minority individuals or a business concern that is at least 51 percent controlled or owned by one or more individuals who are either: (1) African American, (2) Hispanic origin, (3) American Indian/Native Alaskan/Native Hawaiian, (4) Asian American/Pacific Islander; or, a publicly owned business having at least 51 percent of its stock owned by one or more minority individuals and having its management and daily business controlled by one or more

minority individuals.

**11-3-.02 PROCEDURES FOR AWARDING CONTRACTS FOR THE CONDUCT OF
ACTIVITIES AND SERVICES UNDER THE AREA PLAN.**

- (1) All contracts for the conduct of activities and services under the area plan must be developed and awarded in a manner which complies with all state and federal regulations and with all procurement standards delineated in *Section 11-5* including, but not limited to, those standards concerning:
 - a. Code of Conduct;
 - b. Free Competition;
 - c. Formal Advertising; and,
 - d. Negotiated Agreements.
- (2) The content and format of all contracts awarded by the area agency for the conduct of activities and services under the area plan must conform to minimum standards contained in *Section 11-5-.07*.
- (3) All contracts awarded by the area agency to public, private nonprofit or profit-making organizations and individuals to conduct activities and services under the area plan shall not exceed the approved area plan period.
- (4) All proposed contracts between the area agency and profit-making organizations must be approved and signed by the State Agency before they can be implemented.

11-3-.03 RENEWAL OF CONTRACTS UNDER THE AREA PLAN.

- (1) Prior to the renewal of a contract agreement for the conduct of services and activities under the area plan, the area agency shall conduct an on-site evaluation of the service

provider to determine if the terms of the contract are being met.

- (2) Renewal of contracts under the area plan shall be subject to all the provisions applicable to new contracts.

11-3-.04 PROCEDURES FOR APPEALS HEARINGS BY AREA AGENCIES.

Each area agency shall provide an opportunity for a hearing to any agency or organization denied funding under the area plan. The conduct of such hearings shall comply with standards of procedural administration and due process as outlined in 0030-1-8 Rules of the State of Tennessee.

11-3-.05 PAYMENT OF FUNDS TO SERVICE PROVIDERS.

- (1) Payment of funds to service provider by the area agency shall be made on a periodic basis as determined by contracts.
- (2) Each service provider shall submit to the area agency a written request for funds. The specific format and submission date of such requests may be determined by the area agency.

11-4 FINANCIAL MANAGEMENT STANDARDS AND PROCEDURES FOR AREA AGENCIES AND SUBCONTRACTORS.

11-4-.01 ACCOUNTING SYSTEM STANDARDS.

- (1) All Older Americans Act funds, and state and local funds expended to earn such funds, must be accounted for in accordance with the area agency's accounting system which shall provide for, at a minimum, the following:
 - a. Accurate, current and complete disclosure of financial results of the award. The State Agency will not require financial reporting on the accrual basis from

organizations whose records are not maintained on that basis.

- b. Records which identify adequately the source and application of funds for subcontractor supported activities. These records shall contain information pertaining to the award, (and subcontracts therein) and authorizations, obligations, unobligated balances, assets, liabilities, outlays, and income.

- c. Effective control over, and accountability for, all award funds and real and personal property acquired with such funds. Recipients of awards shall adequately safeguard all such property and shall assure that it is used solely for authorized purposes.
- d. Comparison of actual with budgeted amounts for the award, and, when specifically required by the performance reporting requirements of the award, relation of financial information with performance of productivity data, including the production of unit cost information.
- e. All requests for cash by recipients of awards shall be made as close as possible to the time when cash is needed. All funds received from the State Agency must be disbursed within 3 working days to the appropriate service providers.
- f. Procedures for determining the allowability and allocability of costs in accordance with the applicable cost principles prescribed in *Section 11-7-.03*.
- g. Accounting records which are supported by source documentation. Each entry in the accounting records shall refer to the document which supports the entry. Supporting documents shall be filed in such a way that they can be readily located.
- h. For area agencies and contractors of the area agency which are agencies of local governments, audits shall be made or directed by the local government to determine, at a minimum, the fiscal integrity of

contract financial transaction and reports, and whether there has been compliance with the terms and conditions of the contract. The recipient of award will schedule such audits with reasonable frequency, usually annually, but not less frequently than once every two years, considering the nature, size and complexity of the activity.

- i. Contractors of area agencies other than local governments must meet the standards set forth in paragraph (h) above.
- j. A systematic method to assure timely and appropriate resolution of audit findings and recommendations.
- k. That the federal *Older American's Act* project funds, state funds, and the nonfederal funds used to earn such funds must be accounted for separately in the recipient of award's accounting system and accounted for

separately from other funds under the recipient of award's control.

1. An adequate means of internal control to safeguard assets, check the accuracy and reliability of accounting data, promote operational efficiency, and encourage adherence to prescribed management policies.

11-4-.02 FISCAL REPORTING REQUIREMENTS.

- (1) The financial report must be submitted to the State Agency by the 20th of the month following the end of a quarter.
- (2) The area agency shall require the service provider agencies and subcontractors to furnish all financial data necessary and in a timely manner so the area agency financial report can be completed and forwarded to the state by the required date.

11-4-.03 MAINTENANCE OF FINANCIAL RECORDS.

- (1) All accounting records, supporting documents, statistical records, and all other records pertinent to the grant or contract are to be kept readily available for examination by personnel authorized to examine accounts of funds made available through the State Agency.

(2) Such records shall be retained by recipient agencies for a period of three years prior to the current year with the following qualifications:

a. The records shall be retained beyond the three year period if an audit is in progress or exceptions have not been resolved.

b. Records for equipment which was acquired with federal funds shall be retained for three years after final disposition of the property.

11-4-.04 AVAILABILITY AND ACCESS TO RECORDS.

(1) The State Agency, the Administration on Aging, the Secretary of the Department of Health and Human Services, the Comptroller General of the United States, the Comptroller of the Treasury of the State of Tennessee, or any of their duly authorized representatives, shall have access to any books, documents, papers, or records of the recipient of award (or their contractors) which the above named agencies, or any of their duly authorized representatives determine are pertinent to the specific project, for the purposes of making audit, examination excerpts, and transcripts.

(2) The State Agency places no restrictions on recipients of awards which will limit public access to the recipients' records or to the records of their contractors, except when the records must remain confidential for any of the following reasons:

a. To prevent a clearly unwarranted invasion of personal privacy;

b. To comply with an Executive Order or statute which

- specifically requires the records to be kept secret;
- c. to protect commercial or financial information obtained from a person or a firm on a privileged or confidential basis; or,
- d. To protect information which can be improperly exploited for personal gain.

11-4-.05 GENERAL AUDIT REQUIREMENTS AND RESPONSIBILITIES.

- (1) All area agencies and contractors that receive financial assistance through the State Agency must obtain a periodic audit of their aging program operations. Such audits must be made in accordance with generally accepted auditing standards, including the standards of:
 - a. The U. S. General Accounting Office's publication "Standards for Audit of Governmental Organizations, Programs, Activities and Functions;" and,
 - b. The Comptrollers Audit Manual for Governmental Units and Recipients of Grant Funds. Auditors engaged by the agency must meet the criteria for qualifications and independence in these publications.
- (2) Any contract for an audit shall be subject to the prior approval of the Comptroller of the Treasury of the State of Tennessee, and must be submitted on the standard "Contract to Audit Accounts" form published by the Comptroller of the Treasury. The audit for the area agency may include and be combined with an audit of other programs of the contractor, and the existence of more than one contract between the contractor and any agency of the State of Tennessee shall not necessitate more than one audit of the contractor's

programs to be performed every year. (This pertains only to those agencies that receive "direct" state funds.)

- (3) The purpose of these audits shall be to determine the effectiveness of the financial management systems and internal procedures established by the contractor to meet the terms of its contract.
- (4) Audits shall be conducted at least every two budget years.
- (5) These audits may affect the frequency and scope of federal or state audits. However, nothing in this section is intended to limit the right of the federal government, the State Agency, or other appropriate unit of state government

to conduct an audit of a grant or contract supported activity.

- (6) Individuals or organizations conducting an audit should be provided with background information on the Older Americans Act and the financial management standards specified in these rules and the state's Audit Manual for Governmental Units and Recipients of Grant Funds.
- (7) When an aging program is operated within a multi-purpose organization or one which operates more than one aging program, the organization may obtain an agency-wide audit so long as the audit procedures used and the resulting audit report address the aging program specifically, and the audit covers the same period as the program's budget year.
- (8) One copy of each audit of an aging program must be submitted to the contracting agency upon completion of the audit.
- (9) Audit Resolution.
 - a. If any deficiencies or recommendations are noted in the audit findings, the contractor must indicate whether it proposes to take corrective action and how such action will be carried out.
 - b. It is the contractor's responsibility to meet with the auditor to resolve any questions or problems before the audit report is submitted to the contracting agency. Any resolution reached on problems noted in the report should be discussed in a letter accompanying the audit report when it is submitted to the contracting agency.
 - c. The contracting agency will analyze the audit report and any accompanying comments and will return a

statement of adjustments required, if appropriate.

(10) State Agency Actions.

- a. The State Agency will subsequently monitor a contractor to verify that appropriate actions are being taken to fulfill audit recommendations.
- b. If audit findings of a contractor are deemed sufficiently serious, the State Agency may immediately begin suspension or termination procedures, as outlined in *Section 5-5* of these policies.

11-5 PROCUREMENT STANDARDS.

11-5-.01 GENERAL.

- (1) This section provides standards for use by area agencies and their contractors in establishing procedures for the procurement of supplies, equipment, construction, and other services whose cost is borne in whole or in part as a direct charge to federal or state aging funds. These standards are furnished to insure that such materials and services are obtained in an effective manner and in compliance with the provisions of applicable federal regulations and Executive Orders. Goods and services obtained from a third party (an individual, institution or organization outside the recipient agency's own organization) are subject to the conditions in this section. Third party agreements include fixed price contracts, cost reimbursable contracts, purchase orders, and affiliation agreements (an agreement between parties to accomplish a mutually beneficial objective). The term "recipient of award" as used in this section refers to either:

- (1) the area agency; or,
- (2) its contractors; or,
- (3) both, as appropriate.

(2) General Provisions

- a. Recipients of awards may use their own agency procurement policies provided that procurements whose cost is borne in whole or in part as a direct charge to federal or state aging funds adhere to the standards set forth in this section.
- b. The third party agreement utilized, e.g., purchase order, contractor, or affiliation agreement, must be selected so as to impose the minimum administrative burden necessary to insure the prudent stewardship of federal and state funds.
- c. All agreements must be evidenced in writing, including the terms and conditions appropriate to the type of agreement used. Use of informal agreements with affiliated institutions is not permitted.
- d. Contract or third party agreements may be used only to secure services relating to administrative functions which are necessary to the implementation of the program, but cannot be performed by the recipient of award personnel and must conform to the Older Americans Act of 1965, as amended, the Older American Act regulations, state rules, and these policies. This requirement does not apply to the purchase of supportive services, such as transportation or outreach, which the area agency shall not provide

directly, except where necessary and where the State Agency has granted a specific waiver to the area agency to provide the service.

- e. Special attention must be given to the negotiation of cost reimbursement type contracts, as the federal and state share of such cost is limited by the project award for a particular budget year. Federal funds may not be obligated from a succeeding budget year's allotment for services performed during a prior budget year. The State Agency has no obligation to fund any overruns which exceed annual award amounts.
- f. The standards contained in this section do not relieve the area agency of its responsibilities arising under its contracts. The area agency is the responsible authority regarding the settlement and satisfaction of all contractual and administrative issues arising out of procurements entered into in support of its functions. This includes but is not limited to disputes, claims, protests of award, sources evaluation, or other matters of a contractual nature. Matters concerning violation of law are to be referred to such local, state, or federal authority as may have proper jurisdiction over such matters. The area agency is responsible for the resolution of any audit exceptions related to contractor performance.

11-5-.02 CODE OF CONDUCT.

- (1) The area agency and its contractors shall maintain a code or standard of conduct which shall govern the performance of

its officers, employees, or agents in contracting with and expending federal and state grant funds.

- (2) The area agency's officers, employees, or agents shall neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or potential contractors.
- (3) To the extent permissible under state or local laws, rules or regulations, such standards shall provide for appropriate penalties, sanctions, or other disciplinary actions to be applied for violations of such standards either by the officers, employees, or agents of the area agency or by contractors or their agents.
- (4) No employee, officer, or agent of a non-governmental recipient shall participate in the selection, award, or administration of a contract subject to this sub-section where, to his or her knowledge, any of the following has a financial interest in that contract:
 - a. The employee, officer or agent;
 - b. Any member of his or her immediate family;
 - c. His or her partner;
 - d. An organization in which any of the above is an officer, director, or employee;

e. A person or organization with which any of the above individuals is negotiating or has any arrangement concerning prospective employment.

(5) This section is not intended to preclude bonafide institutional fund-raising activities.

11-5-.03 FREE COMPETITION.

(1) All procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition.

(2) The recipient should be alert to organizational conflicts of interest or noncompetitive practices among contractors that may restrict or eliminate competition or otherwise restrain trade. In particular, a contractor that develops or drafts specifications, requirements, a statement of work, an invitation for bids or a request for proposals for a particular procurement by a non-governmental recipient should be excluded from competing for that procurement except when, upon request of the recipient, the State Agency waives this requirement for a particular procurement.

(3) Solicitations shall clearly set forth all requirements that the bidder/offerer must fulfill in order for his bid/offer to be evaluated. Awards shall be made to the bidder/offerer whose bid/offer is responsive to the solicitation and is most advantageous to the recipient, price, and other factors considered. Factors such as discounts, transportation costs, and taxes may be considered in determining the lowest bid. Any and all bids/offers may be rejected when it is in the recipient's interest to do so, and, in the case of

governmental recipients, such rejections are in accordance with the government's applicable law, rules, or regulations.

11-5-.04 PROCEDURAL REQUIREMENTS.

The recipient must establish procurement procedures which, as a minimum, provide for the following:

- (1) Proposed procurement actions shall follow a procedure to assure that unnecessary or duplicate items are not purchased. Where appropriate, an analysis shall be made of lease and purchase alternatives to determine which would be the most economical and practical procurement.
- (2) Solicitations for goods and services shall be based upon a clear and accurate description of the technical requirements for the material, product, or service to be procured. Such description shall not, in competitive procurements, contain features which unduly restrict competition. "Brand name or equal" description may be used as a means to define the performance or other salient requirements of a procurement, and when so used, the specific features of the name brand which must be met by bidders/offers should be clearly specified.
- (3) Where applicable, *Section 7(b)* of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450e(b)) shall be observed.
- (4) Positive efforts shall be made by procuring parties to utilize small business and minority-owned businesses as sources of supplies, equipment, construction and services. Such efforts should allow these sources the maximum feasible

opportunity to compete for contracts subject to this sub-section including the following:

- a. Including qualified small and minority businesses and agencies on solicitation lists;
- b. Assuring that small and minority businesses and agencies are solicited whenever they are potential sources;
- c. When economically feasible, dividing total requirements into smaller tasks or quantities so as to permit maximum small and minority business and agency participation; and,

- d. Where the requirement permits, establishing delivery schedules which will encourage participation by small and minority businesses and agencies.
- (5) The type of procuring instruments used -- (e.g., fixed-priced contracts, cost reimbursable contracts, purchase orders, incentive contracts) -- shall be determined by the recipient but must be appropriate for the particular procurement and for promoting the best interest of the project or program involved. The "cost-plus-a-percentage-of-cost" method of contracting shall not be used.
- (6) Contracts must be made only with responsible contractors who possess the potential ability to perform successfully under the terms and conditions of a proposed procurement. Consideration shall be given to such matters as contractor integrity, record of past performance, financial and technical resources and accessibility to other necessary resources.
- (7) Non-governmental recipients should make some form of price or cost analysis in connection with every negotiated procurement action. Price analysis may be accomplished in various ways, including the comparison of price quotations submitted, market prices and similar indices, together with discounts. Cost analysis is the review and evaluation of each element of cost proposed by the offerer to determine reasonableness, allocability and allowability.
- (8) Procurement records and files for purchases in excess of \$25,000 shall include the following:
- a. Basis for contractor selection;

- b. Justification for lack of competition when competitive bids or offers are not obtained; and,
 - c. Basis for award cost or price.
- (9) A system for contract administration, as outlined in *Section 11-5-.06*, shall be maintained to insure contractor conformance with terms, conditions and specifications of the contract, and to insure adequate and timely follow-up of all purchases.

11-5-.05 METHODS OF PROCUREMENT.

Procurement of goods, services, construction and/or equipment must be made by one of the following methods and must adhere to the State of Tennessee purchasing procedures.

(1) Procurement Requirements:

Procurement Guidelines

Bid Requirements

Under \$200.00	No Bids Required
\$200.00 to \$1,000.00	3 Phone/Written Bids
\$1,000.00 to \$5,000.00	3 Written Bids
Over \$5,000.00	Formal Sealed Bids

(2) Competitive Sealed Bids utilize formal advertising techniques where sealed bids are publicly solicited and a firm-fixed-price contract is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is lowest.

a. Formal advertising requires, as a minimum, the following appropriate conditions:

1. A complete, adequate and realistic specification or purchase description is available.
2. Two or more responsible suppliers are willing and able to compete effectively for the contractor's business.
3. The procurement lends itself to a firm fixed-price contract, and selection of the successful bidder can appropriately be made principally on the basis of price.

- b. When formal advertising is employed by the recipient of award:
 - 1. The awards shall be made to the responsible bidder whose bid is responsive to the invitation and is most advantageous to the recipient of award, price and other factors considered. Factors such as discounts, transportation costs, and taxes may be considered in determining the lowest bid.
 - 2. Invitations for bids shall clearly set forth all requirements which the bidder must fulfill in order for his bid to be evaluated by the recipient of award.
 - 3. Any or all bids may be rejected when it is in the recipient of award's interest to do so, and such rejections are in accordance with applicable state or local laws, rules, and regulations.
 - 4. Criteria for judging the bids shall be developed and available before any bids are opened.
- c. In making procurements that are subject to this subsection, governmental recipients shall use formal advertising.

(3) Competitive Negotiation methods are based on requests for proposals which are requested from a number of sources and the RFP is publicized. Negotiations are normally conducted with more than one of the sources submitting offers, and either a fixed-price or cost-reimbursable type contract is awarded as appropriate. Competitive negotiation may be used if conditions are not appropriate for the use of formal advertising.

A. Procurements may be negotiated if it is not practical or feasible to use formal advertising. Generally, such procurements may be negotiated if one or more of the following conditions prevail:

1. The public exigency will not permit the delay incident to advertising.
2. The material or service to be procured is available from only one person or firm.
3. The aggregate amount involved does not exceed \$10,000.
4. The contract is for personal or professional services, or for any service to be rendered by a university, college, or other educational institution.

5. No acceptable bids have been received after formal advertising.
 6. The purchases are for highly perishable materials or medical supplies; for material or services where the prices are established by law; for technical items or equipment requiring standardization and interchangeability of parts with existing equipment; for experimental, developmental or research work; for supplies purchased for authorized resale; or for technical or specialized supplies requiring substantial initial investment for manufacture.
 7. Formal advertising is otherwise not practical or feasible, and negotiation is authorized by applicable law, rules or regulations.
- B. When competitive negotiation is used for procurement, the following requirements apply:
1. Proposals are to be solicited from an adequate number of qualified sources to permit reasonable competition.

2. The RFP is to identify all significant evaluation factors, including price or cost where required and their relative importance.
3. The contractor is to provide mechanisms for technical evaluation of the proposals received, determinations of responsible offerers for the purpose of written or oral discussions, and selection for contract award.
4. Award may be made to the responsible offerer whose proposal will be most advantageous to the procuring party, price and other factors considered. Unsuccessful offerers should be notified promptly.

C. Notwithstanding the existence of circumstances justifying negotiation, competition shall be obtained to the maximum extent practical.

D. For every negotiated procurement in excess of \$10,000 by a governmental recipient, written justification for the use of negotiation in lieu of formal advertising shall be included in the government's procurement records and files, in addition to the information required above. The justification may be on a class basis, i.e., covering a group of related or similar contracts, or it may be on an individual contract basis.

(4) Noncompetitive Negotiation is procurement through solicitation of a proposal from only one source, or after solicitation of a number of sources, competition is

determined inadequate.

- a. Circumstances under which a contract may be awarded by noncompetitive negotiation are limited to the following:
 - 1. The item is available only from a single source;
 - 2. Public exigency or emergency when the urgency for the requirement will not permit a delay incident to competitive solicitation;
 - 3. The federal or state grantor agency authorizes noncompetitive negotiation;
 - 4. After solicitation of a number of sources, competition is determined inadequate;
 - 5. The aggregate amount involved does not exceed \$2,500.
- b. All contemplated sole source procurements where the aggregate expenditure is expected to exceed \$5,000

shall be referred to the grantor agency for prior approval.

11-5-.06 CONTRACTOR RESPONSIBILITIES.

- (1) Contracts shall be made by the recipient of award only with responsible contractors who possess the potential ability to perform successfully under the terms and conditions of a proposed procurement. Consideration shall be given to such matters as contractor integrity, record of past performances, financial and technical resources, and accessibility to other resources.
- (2) The procurement records or files of the recipient of award for negotiated purchases in amounts of excess of \$2,500 shall include the following pertinent information:
 - a. Justification for the method of procurement;
 - b. The basis for contractor selection or rejection;
 - c. The basis for the cost or price negotiated; and,
 - d. The basis for selection of contract type.
- (3) Justification for the use of negotiation in lieu of advertising may be provided on a class basis or on an individual contract basis.
- (4) A system for contract administration shall be maintained by the recipient of award to assure contractor compliance with terms, conditions and specifications of the contract or order, and to assure adequate and timely follow-up of all purchases.

11-5-.07 CONTRACT PROVISIONS.

- (1) This sub-section contains requirements relating to provisions that must be included in contracts that are

subject to this section. The requirements shall also apply to sub-contracts of any tier under such contracts, and the term "contracts" in this section shall be construed as including sub-contracts.

- (2) The recipient of award shall include provisions to define a sound and complete agreement in all contracts which it awards when the contract costs are to be borne as a direct charge in whole or in part by federal and/or state aging funds. (See the standard contract format in *Section 11-5-.09.*)
- (3) The following provisions must be included in the contract where applicable.
 - a. Where applicable, construction contracts in excess of \$25,000 shall contain a provision requiring compliance with Executive Order 11246, entitled "Equal Employment Opportunity," as amended by Executive Order 11375, and

as supplemented in Department of Labor regulations (41 *CFR*, Part 60).

- b. Contracts in excess of \$2,000 for construction or repair shall include a provision for compliance with the Copeland "Anti-Kick-Back-Act" (41 *U.S.C.* 51) as supplemented in Department of Labor regulation (29 *CFR*, Part 3). All suspected or reported violations shall be reported to the State Agency by the contractor.
- c. All contracts subject to the Contract Work Hours and Safety Standards Act (40 *U.S.C.* 327 *et seq.*) shall include a provision requiring the contractor to comply with the applicable sections of the Act and the Department of Labor's supplementing regulations (29 *CFR*, Parts 5 and 1926.)
- d. Contracts which may give rise to inventions subject to 45 *CFR*, Parts 6 and 8, shall include a provision requiring compliance with those parts.
- e. Contracts in excess of \$100,000 shall contain provisions requiring compliance with all applicable standards, orders, or regulations issued pursuant to the Clear Air Act as amended (42 *U.S.C.* 1857 *et seq.*) and the Federal Water Pollution Control Act as amended (33 *U.S.C.* 1251 *et seq.*). Violations shall be reported in writing to the appropriate regional office of the Environmental Protection Agency, and a copy of the report shall be submitted to the State Agency. (See 40 *CFR*, Part 15, for relevant regulations of the

Environmental Protection Agency.)

- f. Each contract of an amount in excess of \$2,500 awarded by the recipient of award shall provide that the contractor will comply with applicable regulations and standards of the Cost of Living Council in establishing wages and prices. The provision shall advise the contractor that submission of a bid or offer or the submittal of an invoice or voucher for property goods, or services furnished under a contract or agreement with the recipient of award shall constitute a certification by him that amounts to be paid do not exceed maximum allowable levels authorized by the Cost of Living Council regulations or standards. Suspected violations shall be reported by the recipient of award in writing to the local Internal Revenue Service field office with a copy to the State Agency.

11-5-.08 REQUEST FOR PROPOSALS (RFP).

If it is determined, according to the criteria set forth in *Section 11-5-.05(3)* that the appropriate method of negotiation is to solicit written proposals, the following procedures shall apply:

- (1) A Request for Proposal (RFP) (see paragraph (5) for sample form) shall be prepared by the contracting agency, and, as a minimum, contain the following:
 - a. A clear and accurate description of the technical requirements for the service to be procured. It shall not contain features which unduly restrict competition, and it shall be in sufficient detail to minimize the likelihood of requests from vendors for clarification;
 - b. See "Request for Proposal" Form for Additional Requirements. (Attachment #1)
 - c. A statement that the contracting agency reserves the right to further negotiate with any or all potential providers after proposals are received.
- (2) The contracting agency shall send a request for proposal to all potential contractors known to the agency except that it is not necessary to send requests to more than 15 different vendors. An office of the contracting agency shall be designated as the place to which proposals are to be delivered.
- (3) Opening of proposals shall be a matter of public record. Proposals for each contract shall be opened at the time specified in the Request for Proposal. After a contract is

made and finally approved, all proposals received pertaining to that contract shall be held open to public inspection by the contracting agency during reasonable hours on working days.

(4) Analysis of proposals should include the following:

- a. The contracting agency shall analyze the proposals and conduct verbal negotiations if deemed advisable. Nothing shall prohibit the contracting agency from conducting as many negotiation sessions as it deems necessary.
- b. Proposals shall be analyzed on the basis of factors pertinent to the service in question. Contracts shall be awarded to the vendor who offers the best terms, and neither the price nor the technical factor shall be the sole criterion, although price may be the criterion for determining which proposals to consider. (If more than five proposals are received, those quoting prices higher than the fifth lowest may be disregarded.) The contracting agency may then draft a contract. (See *Section 11-5-.09.*)

11-5-.09 CONTRACT FORMAT.

- (1) After the terms of the contract have been determined, the contract shall be drawn, including the provisions required by *Section 11-5-.06* and executed. (See ATTACHMENT #2 for format and required clauses.)
- (2) The contract should be executed in triplicate (one to State Agency, one to area agency, one to contracting agency). The original contract is to stay at Area Agency on Aging.

- (3) If the contract was arrived at through the RFP or bid process, the following information should be available:
- a. The number of requests for proposals delivered to vendors.
 - b. The number of proposals received.
 - c. The number and type of verbal negotiation sessions conducted.
 - d. Whether the vendor selected has made the lowest cost proposal, and if not, the basis for the selection.
- (4) Amendments and addenda to existing contracts shall be made as follows:

- a. The contracting agency shall negotiate the terms, draw the amendment and have it executed.
- b. The amendment shall be submitted in triplicate and signed by all officials who were required to approve the contract being amended.
- c. An amendment or addendum shall clearly state the additions, deletions and modifications to the contract, including a statement whether the new terms are in place of, or in addition to, the terms expressed in the contract.

(5) Standard Contract Clauses:

- a. Where applicable, provisions outlined in *Section 11-5-.07* must be included.
- b. See standard contract format for required clauses.
- c. Except as otherwise provided by these or other rules, every contract should contain the following clauses:

- 1. Scope of services of contractor:

- The contractor's duties must be clearly and specifically defined in detail, including the following:

- (i) Type
 - (ii) Scope
 - (iii) Duration
 - (iv) Form
 - (v) Quality
 - (vi) Quantity
 - (vii) Place
 - (viii) Size

(ix) Time

(x) Purpose

2. The following clause is to be used in contracts of less than \$25,000:

"The Grantee shall prepare an annual report of its activities funded under this grant and submit, within nine (9) months after the close of the reporting period, a copy of such report to the Tennessee Commissioner of Finance and Administration, the Tennessee Commissioner of the Granting State Agency, and the Tennessee Comptroller of the Treasury. The annual report, including financial statements, and all books of account and financial records shall be subject to annual audit by the Tennessee Comptroller of the Treasury or his duly appointed representative. Should the Comptroller of the Treasury, require such an audit, the Grantee may, with the prior approval of the Tennessee Comptroller of the Treasury, engage a licensed independent public accountant to perform the audit. The audit contract between the Grantee and the licensed independent public accountant shall be on a contract form prescribed by the Tennessee Comptroller of the Treasury. Any such audit shall be performed in accordance with generally accepted government auditing standards, the provisions of OMB Circular A-128 (the Single Audit Act of 1984),

or Circular A-133 if applicable and the Audit Manual for Governmental Units and Recipients of Grant Funds, published by the Tennessee Comptroller of the Treasury. Said audit shall include and be combined with an audit of all other programs of the Grantee. The existence of more than one grant between the Grantee and any agency of the State of Tennessee shall not necessitate more than one audit of the Grantee to be performed every year. The Grantee shall be responsible for reimbursement of the cost of the audit prepared by the Tennessee Comptroller of the Treasury, and payment of fees for the audit prepared by the licensed independent public accountant. Payment of the audit fees of the licensed independent public accountant by the Grantee shall be subject to the provisions relating to such fees contained in the prescribed contract form noted above. Copies of such audits shall be provided to the State Granting Department and the Tennessee Comptroller of the Treasury, and shall be made available to the public."

3. The following clause is to be used in contracts of more than \$25,000:

"The Grantee shall prepare an annual report of its activities funded under this grant, including audited financial statements and submit, within nine (9) months after the close of the reporting

period, a copy of such report to the Tennessee Commissioner of Finance and Administration, the Tennessee Commissioner of the Granting State Agency, and the Tennessee Comptroller of the Treasury. The annual report, including financial statements, and all books of account and financial records shall be subject to annual audit by the Tennessee Comptroller of the Treasury or his duly appointed representative. The Grantee may, with the prior approval of the Tennessee Comptroller of the Treasury, engage a licensed independent public accountant to perform the audit. The audit contract between the Grantee and the licensed independent public accountant shall be on a contract form prescribed by the Tennessee Comptroller of the Treasury. Any such audit shall be performed in accordance with generally accepted government auditing standards, the provisions of OMB Circular A-128 (the Single Audit Act of 1984), or Circular A-133 if applicable and the Audit Manual for Governmental Units and Recipients of Grant Funds, published by the Tennessee Comptroller of the Treasury. Said audit shall include and be combined with an audit of all other programs of the Grantee. The existence of more than one grant between the Grantee and any agency of the State of Tennessee shall not necessitate more than one audit of the Grantee to be performed

every year. The Grantee shall be responsible for reimbursement of the cost of the audit prepared by the Tennessee Comptroller of the Treasury, and payment of fees for the audit prepared by the licensed independent public accountant. Payment of the audit fees of the licensed independent public accountant by the Grantee shall be subject to the provisions relating to such fees contained in the prescribed contract form noted above. Copies of such audits shall be provided to the State Granting Department and the Tennessee Comptroller of the Treasury, and shall be made available to the public."

d. Clauses which should be included where appropriate are as follows:

1. Federally funded contracts - compliance with federal regulations. If federal funds are used to support the contract, the following clause must be included:

"The contractor shall comply with all applicable federal regulations in the performance of his duties under this contract."

2. Multiple fiscal year funding - availability of funds - If the contract calls for payments to be made from funds appropriated for more than a single fiscal year, the following clause must be included: "This contract is subject to the allotment of federal and/or state funds."
3. Contracts for auditing, fiscal management or accounting services - Every contract for financial management (including EDP systems impacting financial management), auditing or accounting services shall include the following provision:
"All audit (or accounting or financial analysis) workpapers shall be made available for review by the Comptroller of the Treasury, or his representatives, upon request during normal working hours either while the analysis is in progress or subsequent to the completion of this contract."
4. Public Notice Clause: "All notices, informational pamphlets, press releases, research reports, signs and similar public notices prepared and released by the contractor shall include the statement, "This project is funded (in part) under an agreement with (name of State Agency)."

11-6 PROPERTY MANAGEMENT REQUIREMENTS

11-6-.01 GENERAL

- (1) This section applies to real property, equipment, and supplies acquired with financial support from the State

Agency. This includes property for which some or all of the acquisition cost is a direct cost under a grant or contract from the State Agency, or is counted toward satisfying a grant cost-sharing or matching requirement.

- (2) Recipients of awards may follow their own property management policies and procedures, provided they observe the minimum requirements of this section. The term "recipient of award" as used in this section refers to either:

- a. The area agency; or,
- b. Its contractors; or,
- c. Both, as appropriate.

- (3) This subsection does not apply to:

- a. Property for which only depreciation or use allowances are charged;
- b. Property donated entirely as a third-party in-kind contribution; or,
- c. Equipment or supplies acquired primarily for sale or rental rather than for use.

- (4) Equipment or supplies acquired by a contractor or sub-contractor under a grant or contract shall be subject to this subsection if the property was purchased in whole or in part with State Agency administered funds.

11-6-.02 DEFINITIONS.

- (1) As used in this section:

- a. Acquisition of Property:** Includes purchase, construction, or fabrication of property.
- b. Acquisition Cost of Equipment Acquired by Purchase:**

The net invoice price of the property, including any attachments, accessories, or auxiliary apparatus necessary to make the property usable for the purpose for which it was acquired. Ancillary charges such as taxes, duty, protective in-transit insurance, freight, or installation shall be included in the acquisition cost in accordance with the recipient of award's regular accounting practices.

- c. **Equipment:** Tangible personal property having a useful life of one year or more and an acquisition cost of \$300 or more per unit.
- d. **Personal Property:** Property of any kind except real property. It may be tangible--having physical existence, or intangible--having no physical existence, such as patents, inventions, and copyrights.
- e. **Real Property:** Land, land improvements, structures and appurtenances thereto, excluding movable machinery and equipment.

11-6-.03 REAL PROPERTY.

- (1) Title to real property whose acquisition cost was borne in whole or in part by aging funds shall vest in the recipient of award upon acquisition. In the absence of applicable statutory provisions governing the use or disposition of such property it shall be subject to the following requirements, in addition to any other requirements imposed by the terms and conditions of the project award:

- a. The recipient of award shall use the real property for the purposes authorized by the project award as long as

needed.

- b. The State Agency may authorize the recipient of award to use the property for the following (but no other) purposes when the recipient of award determines that the property is no longer needed for the originally authorized purposes:

- 1. When no longer used in accordance with subparagraphs (a) or (b), the recipient of award shall return to the control of the State Agency all real property whose acquisition cost was borne in whole by Older Americans Act funds. If the acquisition cost of the property was borne in part by Older Americans Act funds, the recipient of award may be relieved of accountability to the State Agency with respect to the federal interest in the property by compensating the State Agency for its fair share of the sale proceeds.
- 2. The amount of compensation to the State Agency shall be computed by applying the percentage of federal participation in the cost of the program for which the property was acquired to the property's current fair market value (if the recipient of award retains the property) or to the proceeds from sale (if the recipient of award sells the property).

11-6-.04 EQUIPMENT.

- (1) Title to equipment where acquisition cost is borne in whole or in part by aging funds shall vest in the recipient of

award upon acquisition, and except as provided in Section 11-6-.05 shall be subject to the restrictions on use and disposition set forth below.

(2) Use.

- a. The recipient of award shall use the property as long as there is a need for such property to accomplish the objectives of the Older Americans Act program whether or not the recipient of award continues to be supported by federal funds.
- b. When there is no longer a need for the property to accomplish the objectives of the aging program, the recipient of award shall use the property in connection with other federal awards it has received in the following order of priority:
 1. For other awards made by the Department of Health and Human Services needing the property;
 2. For awards of other federal agencies needing the property.
- c. When the recipient of award no longer has need for such property in any of its federal/state financed activities, the property may be used for the recipient of award's own official activities in accordance with the following standards:
 1. If the property had an acquisition cost of less than \$1000 per unit and has been used four years or more, the recipient of award may use the property without reimbursement to the State Agency or sell the property and retain the proceeds.

2. For all such property not covered above, the recipient of award may retain the property for its own use provided that a fair compensation is made to the State Agency for the federal/state share of the property. The amount of such compensation shall be computed by applying the percentage of federal/state participation in the cost of the project to the current fair market value of the property.

(3) Disposition. If the recipient of award has no need for the property, disposition of the property shall be made as follows:

a. If the property had an acquisition cost of \$1,000 or less per unit the equipment may be retained, sold or disposed of with no further obligation to federal government.

- b. If the property had an acquisition cost of over \$1,000 per unit, the recipient of award shall request disposition instructions from the State Agency. The State Agency shall issue instructions to the recipient of award within 120 days following the receipt of such request and the following procedures shall govern:
1. If the recipient of award is instructed to ship the property elsewhere, the recipient of award shall be reimbursed with an amount which is computed by applying the percentage of the recipient of award participation in the cost of the project to the current fair market value of the property, plus any shipping or interim storage costs incurred.
 2. If the recipient of award is instructed to otherwise dispose of the property, it shall be reimbursed for the costs incurred in such disposition.
 3. If the disposition or other instructions are not issued within the 120 day period specified in this section, the recipient of award shall sell the property and reimburse the State Agency with an amount which is computed by applying the percentage of federal participation in recipient of award costs to the sales proceeds. The recipient of award, however, may deduct and retain from that amount \$100 or ten percent of the total sales proceeds, whichever is greater, for its

selling and handling expenses.

11-6-.05 TRANSFER OF TITLE OF CERTAIN PROPERTY.

- (1) Where the State Agency determines that an item of equipment with an acquisition cost of \$1,000 or more which is to be borne in whole by aging funds is unique, difficult, or costly to replace, the State Agency may reserve the right to require the recipient of award to transfer title to the property to the State Agency or to a third party named by the State Agency.
- (2) Such reservation shall be subject to the following:
 - a. The right to require transfer of title may be reserved only by means of an express special condition in the project award, or, if approval for the acquisition of the property is given after the project award has been made, approved by means of a written stipulation at the time such approval is given.

- b. The property must be appropriately identified in the project award or otherwise made known to the State Agency.
- c. The State Agency shall not exercise the right until the recipient of award no longer needs the property for the furtherance of its objectives. Such needs shall be assumed to end on the date of termination of the award unless the recipient of award continues to conduct its activities after that date and demonstrates to the State Agency a continued need for the property.
- d. In order to exercise the right, the State Agency shall issue disposition instructions to the recipient of award not later than 120 days after the recipient of award no longer needs the property in the project for which it was acquired. If instructions are not issued within that time, the State Agency's right shall lapse, and the recipient of award shall act in accordance with the applicable standards.
- e. The recipient of award shall be entitled to reimbursement for any shipping and interim storage costs it incurs plus an amount computed by multiplying the market value of the equipment by the non-federal

share pursuant to the State Agency's disposition instructions.

11-6-.06 PROPERTY MANAGEMENT STANDARDS.

(1) Recipient of award property management standards for equipment shall include the following procedural requirements:

a. Property records shall be maintained accurately and provide for:

1. A description of the property;
2. Manufacturer's serial number or other identification number;
3. Acquisition date and cost;
4. Source of property;
5. Percentage of federal or state funds used in the acquisition of the property;
6. Location, use, and condition of the property, and
7. Ultimate disposition data, including sales price or the method used to determine the current fair market value if the recipient of award reimburses the State Agency for the federal or state share.

b. A physical inventory of property shall be taken and the results reconciled with the property records annually

to verify the existence, current utilization, and continued need for the property.

- c. A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft to the property. (See Section 5-3-.05 regarding insurance requirements.) Any loss, damage or theft of equipment shall be investigated, fully documented and reported to the State Agency in a timely manner.
- d. Adequate maintenance procedures shall be implemented to keep the property in good condition. Funds may be expended to purchase bonafide maintenance agreements from suppliers, manufacturers or their authorized service outlets.
- e. Proper sales procedures shall be established for unneeded property which would provide for competition to the extent practical and result in the highest possible return. For disposition of any property exceeding \$1000 estimated fair market value, the recipient of award shall consult with the grantor agency regarding sales procedures.

11-6-.07 SUPPLIES.

- (1) Consumable Materials and Supplies. The cost policies prescribed by Section 11-7-.07 provide that the cost of consumable supplies or materials is allowable only to the extent that the supplies or materials are reasonably necessary to carry out the recipient of award's aging program. The determination of reasonably necessary amounts shall be made by the State Agency on the basis of numbers of

staff, locality, type of activities proposed and other factors in any plan or proposal submitted, as compared with plans and proposals from other areas of the state.

- (2) Other Supplies. In many cases, items of supplies (other than consumable supplies or materials) whose acquisition cost was borne in whole or in part by a project award have a useful life longer than the period of need on the project or program for which they were acquired. The recipient of award may, at its option either retain or sell such items when no longer needed for any federally sponsored activity, including activities sponsored by federal agencies other than the Department of Health and Human Services. However, compensation to the State Agency shall be required if the aggregate fair market value of all such items acquired under the same project award exceeds \$1000 when no longer needed for any federally sponsored activity. The amount of compensation shall be computed by applying the percentage of federal participation in the cost of the original project award to the current fair market value of items retained, and to the sales proceeds of items sold.

11-6-.08 WAIVER OF ACCOUNTABILITY.

- (1) Where authorized under federal law (e.g., 42 U.S.C. 1982 [P.L 85-934]) title to tangible personal property whose acquisition cost is borne in whole or in part by aging funds shall vest in the recipient of award without regard to any other requirements and without further obligation to the federal government, except as provided in Section 11-6-08(2) below.

- (2) When title to an item of property having an acquisition cost of \$1,000 or more is vested in the recipient of award pursuant to Section 11-6-.08(1) above, the State Agency shall have the right to require the recipient of award to transfer title to the item of property to the State Agency or to a third party named by the State Agency. The right may be exercised at any time, but no later than twelve months after the State Agency has received the final financial report from the recipient of award after completion or termination of activities for which the property was acquired. If the right is exercised, the

recipient of award shall be entitled to reimbursement for the costs incurred in transferring the property.

11-6-.09 COPYRIGHTS.

When a book or other material is developed under a federal award, the author or recipient of award is free to copyright the work, but the State Agency and the Administration on Aging shall have a royalty-free, non-exclusive and irrevocable license to reproduce, publish, or otherwise use, and to authorize others to use the work for government purposes.

11-6-.10 DETERMINING PERCENTAGE OF PARTICIPATION.

Various provisions in Section 11-6-.05 of these policies require a determination of the percentage of federal participation in the cost of the project or program in order to compute the amount of compensation for the value, or proceeds from the sale of property. The percentage to be used should be the same as the matching share utilized in the program award during the year in which the property was acquired.

11-7 COST PRINCIPLES APPLICABLE TO GRANTS AND CONTRACTS.

11-7-.01 PURPOSE AND SCOPE.

- (1) Objectives. This section sets forth principles for determining the allowable costs of the aging programs administered by agencies under grants from and the contracts with the Administration on Aging, or the State Agency, or an area agency on aging. The principles are for the purpose of cost determination and are not intended to identify the circumstances or dictate the extent of federal and state or local participation in the financing of a particular grant. They are designed to provide that federally or state funded

programs bear their fair share of costs recognized under these principles, except where restricted or prohibited by law. No provision for profit or other increment above cost is intended.

(2) Policy Guides. The application of these principles is based on the fundamental premise that:

- a. Government agencies are responsible for the efficient and effective administration of grant and contract programs through the application of sound management practices.
- b. The grantee or contractor assumes the responsibility for seeing that aging program funds have been expended and accounted for consistent with underlying agreements and program objectives.
- c. Each grantee or contractor organization, in recognition of its own unique combination of staff, facilities and experience, will have the primary responsibility for employing whatever form of organization and management techniques may be necessary to assure proper and efficient administration.

(3) Applicability. These principles will be applied in determining costs incurred by government agencies under aging grants and cost-reimbursement type contracts (including sub-grants and sub-contracts) except those with:

- a. publicly financed educational institutions subject to requirements of Appendix D of 45 CFR 74; and,
- b. publicly owned hospitals and other providers of medical care subject to requirements of Appendix E of 45 CFR

74.

These principles apply to federal, state and local government agencies. For further clarification refer to the definition of "local government" in Section 11-7-.02 below.

11-7-.02 DEFINITIONS.

(1) General.

- a. **Approval or Authorization of the Administration on Aging:** Documentation evidencing consent prior to incurring specific cost.

- b. Cost Allocation Plan:** The documentation identifying, accumulating, and distributing allowable costs under contracts together with the allocation methods used.
- c. Cost:** As used herein, cost as determined on a cash, accrual, or other basis acceptable to the Administration on Aging as a discharge of the contractor's accountability for aging program funds.
- d. Cost Objectives:** A pool, center, or area established for the accumulation of cost. Such areas include organizational units, functions, objects or items of expense, as well as ultimate cost objectives including specific grants, projects, contracts, and other activities.
- e. Federal Agency:** The Administration on Aging, Department of Health and Human Services.
- f. Grant:** The agreement between the Administration on Aging and the State Agency or the State Agency and a local government agency whereby aging funds are provided to carry out specified programs, services, or activities. The principles and policies stated in this section as applicable to grants in general also apply to any aging program sponsored cost reimbursement type

of agreement performed by a government agency including contracts, sub-contracts and sub-grants.

- g. Grant Program:** Those activities and operations of the grantee which are necessary to carry out the purposes of the grant, including any portion of the program financed by the grantee.
- h. Local Government:** A local unit of government including specifically a county, municipality, city, town, township, local public authority, special district, intrastate district, council of governments, sponsor group representative organization, and other regional or intrastate government entity, or any agency or instrumentality of a local government exclusive of institutions of higher education, hospitals and school districts.
- i. Other State or Local Agencies:** Departments or agencies of the state or local government which provide goods, facilities, and services to a grantee.
- j. Services:**, goods and facilities as well as services. As used herein
- k. Supporting Services:** Auxiliary functions necessary to sustain the direct effort involved in administering a grant program or an activity providing service to the grant program. These services may be centralized in the grantee agency or in some other agency, and include procurement, payroll, personnel functions, maintenance and operation of space, data processing, accounting, budgeting, auditing, mail and messenger service, and

the like.

(2) Definition of Nonprofit Institution.

a. A nonprofit institution for purposes of this document is any corporation, foundation, trust, association, cooperative or other organization other than:

1. Educational institutions;
2. Hospitals; and,
3. State and local government agencies, bureaus or departments,

which is operated primarily for scientific, educational, service, charitable, or similar purposes in the public interest, which is not organized primarily for profit, and which uses all income exceeding costs to maintain, improve and/or expand its operation.

b. The charter or other legally binding authority for the existence of the institution must provide that no part of the net earnings, properties or other assets of the institution, on dissolution or otherwise, shall inure to the benefit of any private person or individual including any member, employee, officer, director or trustee of the institution and that, on liquidation or dissolution all properties and assets remaining after providing for all debts and obligations, shall be distributed and paid over to such other fund, foundation or other organization formed and operated as a non-profit institution, as defined herein, as the board of directors or trustees may determine.

Institutions which have received tax exemptions as non-profit institutions from the U.S. Internal Revenue Service shall be considered to have met the criteria of this definition.

- c. For purposes of the guidelines, the terms non-profit and not-for-profit as they are descriptively applied to institutions shall be considered synonymous provided the requirements above are met.

11-7-.03 BASIC GUIDELINES.

(1) Factors Affecting Allowability of Costs for Government Agencies.

a. To be allowable under the aging program, costs must meet the following general criteria:

1. Be necessary and reasonable for proper and efficient administration of the aging program, be allocable thereto under these principles, and except as specifically provided herein, not be a general expense required to carry out the overall responsibilities of government agencies.
2. Be authorized or not prohibited under state or local laws or regulations.
3. Conform to any limitations or exclusions set forth in these guidelines, federal laws, or other governing limitations as to types or amounts of cost items.
4. Be consistent with policies, regulations, and procedures that apply uniformly to both federally assisted and other activities of the grantee.
5. Be accorded consistent treatment through application of generally accepted accounting principles appropriate to the circumstances.
6. Not be allocable to or included as a cost of any other federally financed program in either the current or a prior period.
7. Be net of all applicable credits to the cost.

b. Allocable Costs:

1. A cost is allocable to a particular cost objective to the extent of benefits received by such objective.
2. Any cost allocable to a particular grant or cost objective under the principles provided for in this section may not be shifted to other federal grant programs to overcome fund deficiencies, avoid restrictions imposed by law or grant agreements, or for other reasons.
3. Where an allocation of joint cost will ultimately result in charges to an aging grant, an allocation plan will be required.

c. Applicable Credits:

1. Applicable credits refer to those receipts or reduction of expenditure-type transactions which offset or reduce expense items allocable to grants as direct or indirect costs. Examples of such transactions are: purchase discounts; rebates or allowances; recoveries or indemnities on losses; sale of publications, equipment; income from personal or incidental services; and adjustments of overpayments or erroneous charges.
2. Applicable credits may also arise when federal funds are received or are available from sources other than the aging program involved to finance operations or capital items of the grantee. This includes cost arising from the use or depreciation of items donated or financed by the federal

government to fulfill matching requirements under another grant program.

(2) Factors affecting allowability of cost for non-profit institutes.

a. To be allowable under the program, costs must meet the following general criteria:

1. Be reasonable in its nature and amount in that it does not exceed that which would be incurred by an ordinarily prudent person in the conduct of competitive business. In determining the reasonableness of a given cost, consideration shall be given to:

(i) Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the institution or the performance of the grant.

(ii) The restraints or requirements imposed by such factors as generally accepted sound business practices; arms length bargaining; federal, state and local laws and regulations; and the grant requirements.

(iii) Significant deviations from the established practices of the grantee institution which may unjustifiably increase the grant costs.

2. Be allocable in that it is assignable or chargeable to a particular cost objective to the extent of benefits received by such objective. A cost is allocable to the contract if it:

- (i) Is incurred specifically for the program;
 - (ii) Benefits both the program and other work and can be distributed to them in reasonable proportion to the benefits received; or,
 - (iii) Is necessary to the overall operation of the institution, although a direct relationship to any particular cost objective cannot be shown.
3. Be reduced by all applicable credits. Applicable credits refer to those receipts or reduction-of-expenditure type transactions which offset or reduce expense items allocable to grants as direct or indirect costs.
4. Be consistent with policies, regulations, and procedures that apply uniformly to both federally assisted and other activities of the grantee.
5. Be accorded consistent treatment through application of generally accepted accounting principles appropriate to the circumstances.

11-7-.04 COMPOSITION OF COST.

- (1) Total Cost. The total cost of a grant is comprised of the allowable direct cost incident to the conduct of activities by the grantee plus its allocable portion of allowable indirect costs, less applicable credits.
- (2) Classification of Costs. There is no universal rule for classifying certain costs as either direct or indirect under every accounting system. A cost may be direct with respect to some specific service or function, but indirect with

respect to the grant or other ultimate cost objective. It is essential, therefore, that each item of cost be treated consistently either as a direct or an indirect cost. Specific methods for determining direct and indirect costs allocable are provided in Sections 11-7-.05 and 11-7-.06 which follow.

11-7-.05 DIRECT COSTS.

- (1) General. Direct costs are those that can be identified specifically with a particular grant cost objective.
- (2) Applicability. Typical direct costs chargeable to a grant are:
 - a. Compensation of employees for the time and effort devoted specifically to the execution of a grant.
 - b. Cost of materials acquired, consumed, or expended specifically for the purpose of a grant.
 - c. Maintenance of membership rolls, subscriptions, publications and related functions.
 - d. Meetings and conferences except those held to conduct the general administration of the nonprofit institution.
 - e. Equipment and other approved capital expenditures.
 - f. Other items of expense incurred specifically to carry out the grant agreement.
 - g. Services furnished specifically for a grant by other agencies, provided such charges are consistent with criteria outlined in Section 11-7-.06.

11-7-.06 INDIRECT COSTS

- (1) Indirect costs are those which are not readily identifiable

with grant activities, but nevertheless, are incurred for the joint benefit of the grant and any other programs which received a share of the same services. Such costs include:

- a. Costs incurred internally by the grantee agency for activities which benefit two or more programs that it operates; and,
- b. Costs incurred by the grantee agency with other government agencies for activities which benefit two or more programs carried on by the grantee agency.

- (2) In theory, all such costs might be charged directly; however, practical difficulties preclude such an approach. Therefore, the Administration on Aging and the Department of Health and Human Services provide for reimbursement of these costs through the mechanism of an indirect cost rate. An indirect cost rate is simply a device for determining fairly and conveniently, within the boundaries of sound administrative principles, what proportion of such general expenses each program should bear. Specifically, it is the ratio between the total indirect expenses and some direct cost base, commonly either direct salaries and wages or total direct costs. The indirect cost rate is therefore the end product of a series of cost apportionments which distribute costs jointly benefiting two or more programs in some reasonable relation to the benefits derived. The Administration on Aging requires that this distribution of indirect costs and the techniques used to make this distribution, be evidenced by the submission of a "Consolidated Statewide Cost Allocation Plan" and an

"Indirect Cost Rate Proposal."

- a. Consolidated Cost Allocation Plan. This plan covers the distribution of the cost of support services provided to the grantee agency by other state and local government organizations. This plan will be submitted by the State Department of Finance and Administration to the Department of Health and Human Services.
- b. Indirect Cost Rate Proposal. This plan covers the distribution of costs within an individual grantee agency, including the cost allocated under Section 11-7-.05 above. This proposal will be submitted annually by the grantee agency to the cognizant agency.

- c. For further details on Indirect Cost Procedures, refer to *OMB Circular A-87* and the *Code of Federal Regulations, Title 45, Part 74, Appendices C and F*.
 - d. In those instances where the cognizant agency has negotiated an indirect cost rate with a grantee agency, the State Agency may rely on the conditions of the agreement which established the rate. Such reliance must be limited to the extent that the agreement applies to the aging grant.
 - e. In those cases in which there is no existing indirect cost rate which has been negotiated between the grantee agency and the cognizant agency, an indirect cost rate must be negotiated directly with the cognizant agency, only if receiving direct funds from the cognizant agency.
- (3) Indirect costs incurred by other government organizations in support of aging activities are allowable only if the grantee is charged for, and pays for, the services provided by the affiliated institution. (If such costs are "in-kind," the recipient grantee agency would not "pay" for them.) NOTE: The following costs are normally included in the indirect cost rate. If a grantee agency wishes to charge any of these costs directly, the State Agency must be notified in advance so that the change can be taken into consideration when negotiating the indirect cost rate:
- a. Automatic data processing;
 - b. Building space and related facilities;
 - c. Depreciation and use allowable on equipment;

- d. Capital expenditures;
- e. Insurance;
- f. Management studies; and,
- g. Proposal costs.

(4) The development of other policies governing indirect costs and of the detailed procedures to be used by grantee agencies in claiming such costs is the responsibility of the State Agency. Such policies will be negotiated by the State Agency directly.

11-7-.07 STANDARDS FOR SELECTED ITEMS OF ALLOWABLE COSTS.

The following standards are set forth to assist the project to determine the allowability of selected items of cost for the conduct of aging programs. These standards will apply irrespective of whether a particular item of cost is treated as a direct or indirect cost. Failure to mention a particular item of cost is not intended to imply that it is either allowable or unallowable; rather, determination of allowability in each case should be based on the standards provided for similar or related items of cost.

(1) Accounting. The cost of establishing and maintaining accounting and other information systems required for the management of the aging program is allowable. This includes costs incurred by central service agencies for these purposes. The cost of maintaining central accounting records required for overall government agency purposes, such as appropriation and fund accounts by the treasurer, comptroller, or similar officials, is considered to be a general expense of government agencies and is not allowable.

- (2) Advertising. Advertising media includes newspapers, magazines, radio and television programs, direct mail, trade papers, and the like. The advertising costs allowable are those which are solely for:
- a. Recruitment of personnel both paid and volunteer, required for the aging program.
 - b. Solicitation of bids for the procurement of goods and services required.
 - c. Disposal of scrap or surplus materials acquired in the performance of the contract.

- d. Other purposes specifically provided for in the contract, e.g., providing public notice on hearings conducted by the area agency on aging.
- (3) Advisory Councils. Costs incurred by advisory councils or committees established pursuant to federal requirements to carry out the aging program are allowable.
- (4) Audit Service. The cost of audits necessary for the administration and management of functions related to the aging program is allowable.
- (5) Automatic Data Processing. The cost of data processing services for the aging program is allowable. This cost may include rental of, or depreciation of grantee owned, automatic data processing equipment. The acquisition of such equipment, whether by outright purchase, rental-purchase agreement, or other method of purchase, is allowable only upon specific prior approval of the grantor agency.
- (6) Bonding. Costs of premiums on bonds covering employees who handle grantee agency funds are allowable.
- (7) Budgeting. Costs incurred for the development, preparation, presentation, and execution of budgets are allowable. Costs for services of a central budget office are generally not allowable since these are costs of general government operations. However, where employees of the central budget office actively participate in the grantee agency's budget process, the cost of identifiable services is allowable.
- (8) Building Lease Management. The administrative cost for lease management which includes review of lease proposals,

maintenance of a list of available property for lease, and related activities, is allowable.

- (9) Building Space and Related Facilities. The cost of space in privately or publicly owned buildings used for the benefit of the aging program is allowable subject to the conditions stated below. The total cost of space, whether in a privately or publicly owned building, may not exceed the rental cost of comparable space and facilities in a privately owned building in the same locality. The cost of space procured for the aging program usage may not be charged to the program for periods of non-occupancy.

- a. Rental Cost. The rental cost of space in a privately owned building is allowable. A rental cost for idle or excess facilities, or a rental cost for land, separate from the cost of a facility, is not allowable.
- b. Maintenance and Operation. The utilities, insurance, security, janitorial services, elevator service, upkeep of grounds, normal repairs, and minor alterations and the like, are allowable to the extent they are not otherwise included in rental or other charges for space.
- c. Rearrangements and Alterations. Cost incurred for rearrangement and alteration of facilities required specifically for the aging program or those that materially increase the value or useful life of the facilities are allowable. (See paragraph (10) below.)
- d. Depreciation and Use Allowances on Publicly Owned Buildings. These costs are allowable.

- e. Occupancy of Space Under Rental-Purchase or a Lease with Option-to-Purchase Agreement. The cost of space procured under such arrangement is allowable when specifically approved by the Administration on Aging.
- (10) Capital Expenditures (Facilities and Equipment). The cost of capital assets including land, buildings and equipment are allowable, and repairs which materially increase the value or useful life of capital assets are also allowable when such procurement is specifically approved by the State Agency. Capital asset is defined here as equipment valued at \$500 or more per item. When assets required with aging funds are (a) sold, (b) no longer available for use in a federally sponsored program, or (c) used for purposes not authorized by the Administration on Aging or the State Agency, the federal government's equity in the asset will be refunded in the same proportion as federal participation in its cost. In case any assets are traded on new items, only the net cost of the newly acquired assets is allowable.
- (11) Central Stores. The cost of maintaining and operating a central stores organization for supplies, equipment, and materials used either directly or indirectly for the aging program is allowable.
- (12) Communications. Communication costs incurred for telephone calls or services, telegraphs, teletype service, wide area telephone service (WATTS), centrex, telepak (tie lines), postage, messenger service, and similar expenses are allowable.
- (13) Compensation for Personal Services.

- a. General. Compensation for personal services includes all remuneration, paid currently or accrued for services rendered during the period of performance under the grant agreement, including, but not necessarily limited to wages, salaries, and supplementary compensation and benefits. The costs of such compensation are allowable to the extent that total compensation for individual employees is reasonable for the services rendered, follows an appointment made in accordance with state or local laws and which meets federal merit system or other requirements, where applicable, and is determined and supported as provided in subparagraph (c) below.
- b. Reasonableness of Compensation. Compensation for employees engaged in aging activities will be considered reasonable to the extent that it is consistent with that paid for similar work in other activities of the grantee agency. In cases where the kinds of employees required for aging activities are not found in the other activities of the agency, grantee compensation will be considered reasonable to the extent that it is comparable to that paid for similar work in the labor market in which the employing government competes for the kind of employees involved. Compensation surveys providing data representative of the labor market involved will be an acceptable basis for evaluating reasonableness.
- c. Payroll and Distribution of Time. Amounts charged to

the aging program for personal services, regardless of whether treated as direct or indirect costs, will be based on payrolls documented and approved in accordance with generally accepted practice of the state or local agency. Payrolls must be supported by time and attendance or equivalent records for individual employees. Salaries and wages of employees chargeable to more than one Older Americans Act program or other cost objective will be supported by appropriate time distribution records. The method used should produce an equitable distribution of time and effort.

(14) Depreciation and Use Allowances.

- a. Grantees may be compensated for the use of buildings, capital improvements, and equipment through use allowances or depreciation. Use allowances are the means of providing compensation in lieu of depreciation. However, a combination of the two methods may not be used in connection with a single class of fixed assets owned by a single contributor. (Fixed assets are buildings and equipment.)
- b. The computation of depreciation or use allowance will be based on acquisition cost. If an item of property was acquired with no cost to the present owner, i.e., it was donated, computation should be based on the donor's cost less depreciation or the current market price of similar property, whichever is lesser. Where actual cost records have not been maintained, a reasonable estimate of the original acquisition cost

may be used in the computation. The computation must exclude the cost or any portion of the cost of buildings and equipment donated or borne directly or indirectly by the federal government through charges to federal grant programs or otherwise, irrespective of where title was originally vested or where it presently resides. In addition, the computation must also exclude the cost of land. Depreciation or a use allowance on idle or excess facilities is not allowable except as indicated in Section 11-7-.08.

- c. Where the depreciation method is followed, adequate property records must be maintained, and any generally accepted method of computing depreciation must be consistently applied for any specific asset or class of assets owned by a single contributor.
- d. A grantee may not alter any depreciation method used prior to federal support, except when applying "use allowance" computations to fully depreciated items. (See Section -11-7-.07(14)(e) below.)
- e. In lieu of depreciation, a use allowance for buildings and capital improvements may be computed at an annual rate not exceeding two percent of the most recent acquisition cost. The use allowance for equipment (excluding items properly capitalized as building cost) will be computed at an annual rate not exceeding six and two-thirds percent of acquisition cost of usable equipment. These use allowances may be used indefinitely, as long as the building, improvement, or

equipment has economic usefulness.

- f. Due consideration will be given to government furnished facilities utilized by the nonprofit institution when computing use allowances or depreciation if the government furnished facilities are material in amount. Computation of the use allowance or depreciation will exclude both the cost or any portion of the cost of grounds, buildings and equipment borne by or donated by the federal government, irrespective of where title was originally vested or where it presently resides, and secondly, the cost of grounds. Capital expenditures for land improvements (paved areas, fences, streets, sidewalks, utility conduits, and similar improvements not already included in the cost of buildings) are allowable provided the systematic amortization of such capital expenditures has been provided in the institution's books of account, based on reasonable determinations of the probably useful lives of the individual items involved, and the share allocated to the grant or contract is developed from the amount thus amortized for the base period involved.
- g. A usage charge is allowed for an asset which is considered fully depreciated (under the method described in (d) above) but which still has economic usefulness to the aging grant (i.e., residual value). This usage charge must be claimed in accordance with the use allowance computation described above in e. All buildings must be valued by a single method and each

class of equipment must be valued by a single method, either depreciation or use allowance.

(15) Disbursing Service. The cost of disbursing aging funds by the treasurer or other designated officer is allowable. Disbursing services cover the processing of checks or warrants, from preparation to redemption, including the necessary records of accountability and reconciliation of such records with related cash accounts.

(16) Employee Fringe Benefits. Costs identified under Sections 11-7-.07(16)(a) and (b) below are allowable to the extent that total compensation for employees is reasonable as defined in paragraph (13)c.

a. Employee benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, sick leave, court leave, military leave, and the like, if they are:

1. Provided pursuant to an approved leave system; and,
2. The cost thereof is equitably allocated to all related activities, including the aging program.

b. Employee benefits in the form of employers' contribution or expenses for Social Security, employees' life and health insurance plans, unemployment insurance coverage, worker's compensation insurance, pension plans, severance pay, and the like, provided such benefits are granted under approved plans and are distributed equitably to the aging program and to other activities.

c. For additional information on special consideration in determining allowability, incentive compensation, deferred compensation, fringe benefits, and location allowances, refer to the Code of Federal Regulations, Title 45, Part 74, Appendices C and F.

(17) Employee Morale, Health and Welfare Costs. The costs of health or first-aid clinics and/or infirmaries, recreational facilities, employees' counseling services, employee information publications, and any related expenses incurred in accordance with the institution's policy are allowable. Income generated from any of these activities will be offset against expenses.

(18) Exhibits. Costs of exhibits relating specifically to the aging program are allowable.

(19) Insurance and Indemnification.

a. Cost of insurance required or approved and maintained pursuant to the grant agreement, is allowable.

b. Cost of other insurance maintained by the institution in connection with the general conduct of its business are allowable subject to the following limitations.

1. Types and extent of coverage shall be in accordance with sound business practice and premiums shall be reasonable under the circumstances;

2. Costs allowed for business interruption or other similar insurance shall be limited to exclude coverage of profit;
3. Costs of insurance or of any provisions for a reserve covering the risk of loss of or damage to government property are allowable only to the extent that the institution is liable for such loss or damage and such insurance or reserve does not cover loss or damage which results from willful misconduct or lack of good faith on the part of any of the institution's trustees, directors or officers, or other equivalent representatives, who have supervision or direction of:
 - (i) all or substantially all of the institution's business; or,
 - (ii) all or substantially all of the institution's operations at any one separate location in which the grant is being performed, or who are specifically identified as the project director in the project or otherwise primarily responsible for the direction

and/or execution of the project supported by the grant;

4. Provisions for a reserve under an approved self-insurance program are allowable to the extent that types of coverage, extent of coverage, and the rates and premiums would have been allowed had insurance been purchased to cover the risk; and,
5. Costs of insurance on the lives of trustees, officers, or other employees holding positions of similar responsibilities are allowable only to the extent that the insurance represents additional compensation.

(20) Legal Expenses. The cost of legal expenses required in the administration of the aging program is allowable. Legal services furnished by the chief legal officer of the nonprofit institution or his staff solely for the purpose of discharging his general responsibilities as legal officer are unallowable. Legal expenses for the prosecution of claims against the federal government are unallowable.

(21) Maintenance and Repair Costs. Costs necessary for the upkeep of property (including government property unless otherwise provided for), which neither add to the permanent value of the property nor appreciably prolong its intended life, but keep it in an efficient operating condition, are allowable.

(22) Materials Costs.

- a. The cost of consumable supplies, serum, drugs, fabricated parts, and other materials necessary to

carry out the objectives of a grant whether purchased outside or manufactured by the institution is allowable subject to the provisions in this section. The cost may include such collateral items as inbound transportation and in-transit insurance. In computing these costs consideration will be given to reasonable overruns, spoilage, or defective work if consistent with the nature of the practice of the industry.

- b. Costs of material shall be suitably adjusted for applicable portions of income and other credits, including available trade and cash discounts, refunds, rebates, allowances, and credits for scrap and salvage and material returned to vendors. Such income and other credits shall either be credited directly to the cost of the material involved or be allocated (as credits) to indirect costs. However, where the institution can demonstrate that failure to take cash discounts was due to reasonable circumstances, such lost discounts need not be so credited.
- c. Reasonable adjustments arising from differences between periodic physical inventories and book inventories may be included in arriving at costs, provided such adjustments related to the period of performance of the grant.
- d. When the materials are purchased specifically for an identifiable purpose with performance under a grant, the actual purchase cost thereof should be charged to that grant. If material is issued from stores, any

generally recognized method of pricing such material is acceptable if that method is consistently applied and the results are equitable. When estimates of material costs to be incurred in the future are required, either current market price or anticipated acquisition cost may be used, but the basis for pricing must be disclosed.

- e. Allowance for all materials, supplies and services which are sold or transferred between any division, subsidiary or affiliate of the institution under a common control shall be on the basis of cost incurred in accordance with these principles; except that when it is the established practice of the transferring organization to price inter-organization transfers of materials, supplies and services at other than cost for non-aging work of the institution (or any division, subsidiary or affiliate of the institution under a common control), allowance may be at a price when:

- 1. It is based on an "established catalog or market price of commercial items sold in substantial quantities to the general public;" or,
- 2. It is the result of "adequate price competition" and is the price at which an award was made to the affiliated organization after obtaining quotations on an equal basis from such organization and one or more outside sources which normally produce the item or its equivalent in significant quantity.

Provided, that in either case:

3. The price is not in excess of the transferring organization's current sales price to its most favored customer (including any division, subsidiary, or affiliate of the institution under a common control) for a like quantity under comparable conditions, and,
 4. The price is not determined to be unreasonable by the State Agency.
- (f) The price determined in accordance with 3. above should be adjusted, when appropriate, to reflect the quantities being procured and may be adjusted upward or downward to reflect the actual cost of any modifications necessary because of grant requirements.

(23) Memberships, Subscriptions and Professional Activities.

- (a) Memberships. The cost of membership in civic, business, technical and professional organizations is allowable provided:
1. The benefit from the membership is related to the aging program;
 2. The expenditure is for institution membership;
 3. The cost of the membership is reasonably related to the value of services or benefits received; and,
 4. The expenditure is not for membership in an organization which devotes a substantial part of its activities to influencing legislation.
- (b) Reference Material. The costs of books and subscriptions to civic, business, professional, and

technical periodicals, is allowable when related to the aging program.

- (c) Meetings and Conferences. Costs are allowable when the primary purpose of the meeting is the dissemination of technical information relating to the aging program or when the primary purpose of the meeting is to carry out specific aging activities and when they are consistent with regular practices followed for other activities of the grantee.

- (24) Motor Pools. The costs of a service organization which provides automobiles to the grantee agency at a mileage or fixed rate and/or provides vehicle maintenance, inspection and repair services are allowable.

- (25) Overtime, Extra-Pay Shift and Multi-shift Premiums.

- (a) Premiums for overtime, extra-pay shifts, and multi-shift work are allowable:

1. When necessary to cope with emergencies, such as those resulting from accidents, natural disasters, or occasional production bottlenecks of a sporadic nature;
2. When by indirect labor, employees such as those performing duties in connection with administration, protection, transportation, maintenance, standby plan protection, operation of utilities, or accounting; and,
3. When lower overall costs to the aging program will result.

- (b) Overtime for which overtime premiums would be at aging

program expense should not be approved under an award where the institution is already obligated.

- (26) Payroll Preparation. The cost of preparing payrolls and maintaining necessary related wage records is allowable.
- (27) Personnel Administration. Costs for the recruitment, examination, certification, classification, training, establishment of pay standards, and related activities for the aging program are allowable.
- (28) Printing and Reproduction. Costs for printing and reproduction services necessary for grant administration, including but not limited to forms, reports, manuals, and informational literature, are allowable. Publication costs of reports or other media relating to the aging program accomplishments or results are allowable.
- (29) Procurement Service. The cost of procurement service, including solicitation of bids, preparation and award of contracts, and all phases of contract administration in providing goods, facilities and services for the aging program is allowable.
- (30) Professional Services. Reasonable and necessary costs for essential services provided by individuals, consultants or organizations not a part of the grantee agency is allowable when such services cannot be provided by persons receiving salary support under the aging program. However, consultant fees may not be paid to U.S. government or state employees.
- (31) Proposal Costs. Costs of preparing revisions or amendments to area plans are allowable. However, no costs may be allowed which were incurred prior to the approval of the

initial proposal.

(32) Taxes. In general, taxes or payments in lieu of taxes which the grantee institution is legally required to pay are allowable, except for:

- (a) Federal income taxes and similar levies against income of the institution derived from activities unrelated to the project supported by the aging grant;
- (b) Taxes in connection with financing, refinancing or refunding operations;
- (c) Taxes from which exemptions are available to the institution directly or available to the institution based on an exemption afforded the aging program, except when the State Agency or area agency determines that administrative burden incident to obtaining the exemption outweighs the corresponding benefits accruing to the aging program;
- (d) Special assessments on land which represent capital improvements; and,
- (e) Taxes on any category of property which is used solely in connection with work other than on aging grants.

(33) Training and Education. The cost of in-service training, customarily provided for employee development which directly or indirectly benefits the aging program is allowable. Out-of-service training involving extended periods of time is allowable only when specifically authorized by the State Agency or area agency (for service providers).

(34) Transportation. Costs incurred for freight, cartage, express, postage, and other transportation costs relating

either to goods purchased, delivered, or moved from one location to another are allowable.

11-7-.08 UNALLOWABLE COSTS.

- (1) **Bad Debts.** Any losses (whether actual or estimated) arising from uncollectible accounts and other claims, and related costs, are unallowable.
- (2) **Construction.** Costs of construction other than for minor alterations and repairs are unallowable, except as provided in Section 6-7 of these policies.
- (3) **Contingencies.** Contributions to a contingency reserve or any similar provisions for unforeseen events are unallowable.
- (4) **Contributions and Donations.** Contributions and donations are unallowable.
- (5) **Entertainment.** Costs of amusements, social activities, and incidental costs relating thereto, such as meals, beverages, lodgings, rentals, transportation, and gratuities, are unallowable.
- (6) **Excess Facility Costs.** The cost of building space and related facilities procured for the aging program may not be charged to the program for periods of non-occupancy except to the extent that:
 - a. They are necessary to meet fluctuations in workload;
or,
 - b. Although not necessary to meet fluctuations in workload, they were necessary when acquired and are now idle because of changes in program requirements, grantee efforts to produce more economically,

reorganization, termination, or other causes which could not have been reasonably foreseen. Such costs are allowable for a reasonable period of time, ordinarily not to exceed one year.

- (7) **Fines and Penalties.** Costs resulting from violations of, or failure to comply with, federal, state or local laws and regulations are unallowable.
- (8) **Chief Executive.** The salaries and expenses of the chief executive of a political subdivision are considered a cost of general local government and are unallowable, except when the office of the local chief executive is the official designated grantee agency; and then only those costs are allowable which are directly related to the aging program and are separate and distinct from the overall local executive functions.
- (9) **Interest and Other Financial Costs.** Interest on borrowings (however represented), bond discounts, cost of financing and refinancing operations, and legal and professional fees paid in connection therewith, are unallowable.
- (10) **Legislative Expenses.** Salaries and other expenses of the state legislature or similar local governmental bodies such as county supervisors, city councils, school boards, etc.,

whether incurred for purposes of legislation or executive direction, are unallowable.

- (11) **Losses**. Actual losses which could have been covered by permissible insurance (through an approved self-insurance program or otherwise) are unallowable. Neither the State Agency nor the Administration on Aging will indemnify the grantee agency against liabilities to third persons and other losses not compensated by insurance or otherwise. However, costs incurred because of losses not covered under nominal deductible insurance coverage provided in keeping with sound management practice, and minor losses not covered by insurance, such as spoilage, breakage and disappearance of small hand tools which occur in the ordinary course of operations, are allowable.
- (12) **Motion Picture Films**. Grantee agencies may not use aging funds to produce videos or motion picture films for viewing by the general public (such as for broadcast on public or educational television, showing to civic associations, or showing in public places) without prior clearance with the State Agency.
- (13) **Labor Relations Costs**. Costs incurred in maintaining satisfactory relations between the institution and its employees, including costs of labor management committees, employee publications, and other related activities, are unallowable unless otherwise provided for in the grant agreement.
- (14) **Underrecovery of Costs Under Grant Agreements**. Any excess of cost over the federal contribution under one grant

agreement is unallowable under other grant agreements.

- (15) **Organization Costs**. Expenditures, such as incorporation fees, attorney's fees, accountant's fees, broker's fees, fees to promoters and organizers, in connection with (a) organization or reorganization of the nonprofit institution, or (b) raising capital, are unallowable.
- (16) **Pre-agreement Costs**. Costs incurred prior to the effective date of the grant or contract, whether or not they would have been allowable thereunder if incurred after such date, are unallowable.
- (17) **Relocation Costs**. Relocation costs incident to the permanent change of duty assignment (for an indefinite period, or for a stated period of no less than twelve months) of an existing employee or upon recruitment of a new employee are unallowable except as specifically provided for in the grant agreement.

- (18) **Severance Pay.** Severance pay in addition to regular salaries and wages given by institutions to workers whose employment is being terminated is unallowable except as provided for in the grant agreement. Such requests for severance pay should be considered on a case-by-case basis.
- (19) **Legal Fees and Judgments.** In addition to the provisions of Section 11-7-.07-(20), fines, penalties, judgments, legal fees and/or other costs resulting from violations of or failure to comply with federal, state and local laws shall be considered unallowable costs. Legal judgments levied on the grantee, contractor, or subcontractor or any of its officers, agents, or employees for a violation of federal, state or local law, may not be paid wholly or in part from federal or state aging funds.

11-8 STANDARDS APPLICABLE TO PARTICIPANT CONTRIBUTIONS, PROJECT INCOME, AND PETTY CASH.

11-8-.01 PARTICIPANT CONTRIBUTIONS FOR SERVICES.

- (1) **Minimum Standards.**
- a. Each program recipient shall have the free and voluntary opportunity to contribute toward the cost of the service provided.
 - b. Each individual recipient shall determine what amount to contribute.
 - c. Methods for receiving contributions from individuals must protect the privacy of each participant with respect to contribution.
 - d. No qualified participant shall be denied a service because of failure to contribute.

- e. Each service provider shall develop a suggested contribution schedule as required by 45 CFR, 1321.111(b).
- f. The suggested contribution schedule shall be posted conspicuously at all service sites (including meal sites, information and referral, legal services, ombudsmen, and in all vehicles transporting participants) and should include:
 - 1. The cost of a unit of service;
 - 2. The suggested fee recommended by the area agency advisory council for eligible participants; and,
 - 3. A statement that state and area agency staff and guests must pay the program cost.
- g. At no time will a means test, individual arrangement or record of amount contributed be made with any participant for soliciting a contribution.

- h. Service providers must apply for authorization to accept food coupons (food stamps) in lieu of cash from participants who are eligible to receive food coupons and who wish to use the coupons for paying for meals, either congregate or home delivered. Application for such authorization must be made to the nearest field office of the Food and Nutrition Service, USDA.

(2) **Procedures for Collecting Contributions.**

- a. Each location and vehicle shall provide a locked and conspicuously marked container for the collection of participant contributions.
- b. Each location and vehicle shall provide small, opaque collection envelopes for use by participants in transferring their individual contributions to the collection container.
- c. Absolutely all contributions must be placed in the locked collection container.
- d. The key to the collection container will not be kept at the service location or in the vehicle.
- e. Each collection container will be permanently marked identifying the location or vehicle where it is used.

- f. The locked collection container shall be transferred to a central location to be opened and the amount of contributions noted.

(3) **Policy on Internal Control of Contributions (Not Performed on Site).**

- a. A minimum of two persons shall be present when contributions are removed from the collection container and counted at the central location.
- b. The cash receipts journal shall be maintained by only one person, but the entries should be witnessed.
- c. The cash receipts journal shall be kept in a locked file cabinet with access limited to a minimum number of persons.
- d. The transfer of contributions shall be receipted each time the responsibility is transferred from collection to deposit.
- e. The total of each day's contributions shall be deposited in a dedicated account at a FDIC insured institution.
- f. Daily deposit slips shall be used to maintain a subsidiary cash receipts journal.

- g. The cash receipts journal and subsidiary cash receipts journal shall be reconciled monthly by site, provider or vehicle and any discrepancies investigated promptly.
- h. Proper documentation must be maintained on all deposits and withdrawals from this account.
- i. All individuals handling contributions shall be covered by a fidelity bond.

(4) **Accounting and Use of Participant Contributions.**

- a. All contributions made by older persons who are recipients of services are considered program income.
- b. All contributions must be expended during the budget year in which they are generated.
- c. All aging program contributions must be used to expand the services of the provider as outlined in the area plan. Nutrition service providers will use contributions to increase the number of meals served, to facilitate access to nutrition services, and to provide other supportive services directly related to nutrition services.
- d. Accumulated contribution income and/or earned interest may not be used as carryover.
- e. Participant contributions shall be included in the external audit of the service provider.

11-8-.02 PROGRAM INCOME.

(1) **Funds Included as Program Income.**

- a. Program income means gross income earned by a grantee or contractor from activities part or all of the cost of which is either borne as a direct cost by a grant or

contract from the State Agency or counted as a direct cost towards meeting a cost sharing or matching requirement of such a grant or contract. Program income includes, but is not limited to:

1. Income from service fees;
 2. Proceeds from the sale of personal or real property;
 3. Usage or rental fees;
 4. Sale of assets purchased with grant funds;
 5. Contributions of recipients of service, and interest on such contributions; and,
 6. Other income as defined by the State Agency.
- b. In other cases not specifically excluded or defined in this section, the State Agency will apply the following test to determine if a specific revenue is to be classed as program income. The State Agency may classify the revenue as program income, and it shall be subject to the provisions of this section if the revenue:
1. Can clearly be shown to have been generated from some particular activity conducted by the grantee or contractor; and,
 2. Was generated by an activity supported in whole or in part by Older Americans Act funds, other federal/state funds administered by the State Agency, or related matching funds.
- c. The following specific revenues shall not be included as program income:

1. Interest income on federal/state funds. This does not include interest on contributions made by recipients of service under a project, which is considered program income. Interest income on federal/state funds may be retained by projects if such income is used for project purposes. If interest income on federal/state funds is not used for project purposes, it must be returned to the State Agency.
2. Rebates, discounts, and recoveries.

3. Income earned by individuals or a group of program participants, when such income accrues directly to the participants.
4. Revenues raised by a governmental recipient (grantee or contractor) under its governing powers, such as taxes, special assessments, etc.
5. Tuition and related fees received by an institution of higher education for a regularly offered course taught by an employee performing under a grant or contract.

(2) **Allowable Uses of Program Income.**

a. General

1. Project grant-related program income must be included in the budget for each aging contract, and must be budgeted for costs allowable under the program which earns the income.
2. If a contractor does not request and receive approval for a specific allowable use of the program income, the income will be deducted from total allowable project costs.
3. Program income must be budgeted and used during the current period, i.e., the year in which it is earned. If a project has unexpended grant-related program income at the end of the project year, such funds will be deducted from total allowable project costs before computing federal and matching expenditures.

b. **Alternative Uses.** With prior approval from the State

Agency, a grantee or contractor may use program income to:

1. Match the federal funds in the program that earned the funds.
2. Match federal funds from other federal programs, provided that such use of the funds results in an expansion of services or meals.
3. Expand the project which earned the funds. This use of program income may be used when income is greater than the amount projected in the project's budget. The grantee should submit a request for plan and budget change to the grantor agency. (In the absence of such a request, the excess income would be deducted from the total costs at the end of the project year.)

c. **Special Requirement for Nutrition Services.** Under nutrition services, program income for meals must be used to increase the number of meals served, facilitate access to nutrition services, and to provide other supportive services directly related to nutrition.

d. **Program Income Accrued After the Contract Period.** Should program income be earned during a budget period in which State Agency contract support is provided but did not actually accrue until a later budget period, it must be used in a manner consistent with the provisions of this section but as budgeted, and approved by the State Agency, in the subsequent budget period.

(3) **Procedures to be Followed in Obtaining Permission to Utilize**

Program Income.

- a. Contractor should project an anticipated amount of program income and incorporate this estimate in the area plan or annual plan update and the project's annual budget.
- b. If revisions are necessary, the contractor should follow the procedures described in Section 5-5-.07 for submitting a plan and budget change.

(4) **Accountability for Program Income.**

- a. Contractors must utilize generally accepted accounting standards for collecting and recording participant contributions and other program income. Such standards require the accurate recording of amounts received and the subsequent use of these funds.
- b. All program income must be reported to the State Agency on the project's quarterly financial report.
- c. Contractor accounting records and the reports submitted to the State Agency should provide a clear audit trail on all program income and its uses. Account records and reports should accurately reflect the expenditure of such funds separate from the expenditure of federal funds, state funds, or the use of local resources.
- d. Contractors should use reasonable care in safeguarding program income collected at project sites, including locking cash in secure storage facilities and making timely deposits to an appropriate account to prevent on-site storage of significant amounts of cash.
- e. Although interest income on federal funds is not

considered program income, programs and contractors should maintain adequate accounting records on any interest income earned on Older Americans Act funds. The State Agency must approve the proposed use for interest income as an activity which will further the purposes of the program and the Older Americans Act.

- f. Rebates, discounts, and recoveries on leases should be treated as applicable credits and credited to the federal grant accounts.

11-8-.03 PROCEDURES FOR THE MAINTENANCE OF A PETTY CASH FUND.

- (1) All disbursements made from the petty cash fund must be supported by a petty cash disbursement voucher and a receipt, as a back-up document.
- (2) Petty cash disbursements must be shown in the accounting records under the appropriate line item and also on the service provider financial report for the quarter in which the payment was made.
- (3) The petty cash fund should be reimbursed at least quarterly to bring the fund back up to its maximum level.
- (4) One individual should be designated as the petty cash custodian who is solely responsible for maintenance of the fund.

11-9 PROCEDURES FOR REIMBURSEMENT OF TRAVEL EXPENSES.

11-9-.01 IN-STATE TRAVEL.

- (1) In-state travel costs are allowable for expenses for transportation, lodging, subsistence, and related items incurred by employees, board members, and advisory committee

members who are in travel status on official business incident to the program.

- (2) Such costs may be reimbursed on a basis consistent with the State of Tennessee Comprehensive Travel Regulations (Rules of the State of Tennessee, Sections 0620-1-1 through 0620-1-5).
- (3) The difference in cost between first-class air accommodations must be reasonably justified (e.g., first class is available only).
- (4) The rate of reimbursement for use of private automobiles must conform to the rate set by the State Comprehensive Travel Regulations.

11-9-.02 OUT-OF-STATE TRAVEL.

Out-of-state travel requests (Form GATR-1) by area agency on aging staff must be submitted in writing (Form GATR-1) to the State Agency at least 10 working days prior to the travel. The director of the State Agency will respond in writing, either approving or disapproving the out-of-state travel. For some conferences or workshops the State Agency will issue a blanket travel approval which will eliminate the need for written requests.

11-9-.03 FOREIGN TRAVEL.

Foreign travel is not allowable without the specific written approval of the State Agency. Travel between the United States, Canada, Guam, Hawaii, the Trust, the Virgin Islands, Alaska and the Canal Zone shall be considered as foreign travel for purposes of this policy.

"REQUEST FOR PROPOSAL"

(Name of Agency)

A. General Requirements

1. Issuing Office

This RFP is issued by (Name, Address, Telephone Number of Agency), which shall be the sole point of contact for purposes of information concerning this RFP.

2. Delivery of Proposals

The vendor is to deliver this proposal, in the form and detail specified in this request to (Address of Agency) by (Date).

3. Opening of Proposals

Proposals will be opened on (date) .

4. The contracting authority reserves the right to further negotiate after proposals are opened with any potential vendor, if such is deemed necessary in the discretion of the contracting authority.

5. Analysis of Proposals - The contract will be awarded to the vendor submitting the best proposal, considering the following criteria:

- a. Prior experience in the field;
- b. Organization size and structure of offerer's firm.
(Size will be considered in relation to work to be performed);
- c. Qualifications of staff to be assigned to the work. This will be determined from resumes

submitted. Education, position in firm, and years and types of experience will be considered;

- d. Offerer's understanding of work to be performed. This will be determined by evaluation of time estimates for performing each step in the total services proposed; and,
- e. Price per unit of service.

6. Economy of Preparation

Proposals should be prepared simply and economically, providing a straightforward, concise description of vendor capabilities to satisfy the requirements of the RFP. Emphasis should be on completeness and clarity of content.

7. Subcontracting

If any part of the work is, or is to be, subcontracted, the vendor shall provide within his proposal a description of the subcontracting organization and the contractual agreements made therewith. All subcontractors will be subject to approval by the contracting authority. The successful vendor will also furnish the corporate or company name and the names of the officers or principals of said companies proposed as subcontractors by the vendor.

8. Period of Contract

The contract will cover the term from _____ to _____.

9. Termination of Contract

Either party shall have the right to terminate the

contract upon _____ days advance written notice.

10. Maintenance of Records

The vendor will be required to maintain, for a period of three years, documentation for all charges against the contracting authority under the contract, and these records will be subject to audit.

11. Approval of Contract

No contract shall be effective or binding until it is approved by the contracting authority.

12. Payments

Payments under the contract shall be made upon submittal of invoice after performance of the portion for the services which each payment represents. The final payment shall not be made until after the performance is complete.

13. Progress Reports

Periodic progress reports will be required to be submitted to the contracting authority.

14. All applicable federal and state contractual requirements shall be met by the vendor.

B. Proposal Format and Content

1. Organization Support and Experience

This section shall contain all pertinent data relating to the vendor's organization, personnel and experience that would substantiate the vendor's qualifications and capabilities to perform the services described in Section C, Description and Scope of Services Requested. It shall be divided into separate statements of:

- a. Experience in the field of work;
- b. Organizational size and structure in relation to the scope of work to be performed; and,
- c. Qualifications of staff to be assigned to the work. This shall be in the form of resumes,

including information relating to education,
position in the firm and experience.

2. Technical Proposal

This section shall describe the vendor's plans and approach for accomplishing the tasks described in Section C, Description and Scope of Services Requested. The information presented shall be in enough detail to enable the contracting authority to ascertain the vendor's understanding of the effort to be accomplished and should essentially outline the steps in the total services proposed.

3. Cost Proposal

This section shall contain all information relating to cost, commissions, fees, hourly rates, etc. (Suggestion: Where appropriate, proposals should contain unit or hourly rates limited by a maximum total obligation for the contracting authority , and the RFP should designate the unit applicable, so that proposals may be more easily compared.)

C. Description and Scope of Services Requested

(Description of services)

ATTACHMENT # 2

(RESERVED FOR LATER ISSUE)

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